

CONSOLIDATED  
FINANCIAL  
STATEMENTS OF  
NBP AND ITS  
SUBSIDIARY  
COMPANIES 2011



# DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

As at December 31, 2011

It gives me great pleasure to present on behalf of the Board of Directors, the Consolidated Annual Report of the National Bank of Pakistan for the year ended December 31, 2011.

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

	Rs. in million
Profit before taxation for year 2011	26,116
Taxation	
- Current year	9,230
- Prior year(s)	260
- Deferred	(1,083)
	8,407
After Tax Profit	17,709
Non Controlling Interest	3
Profit Brought Forward	67,104
Transfer from on revaluation of fixed assets	112
Profit available for appropriation	84,927
Transfer to Statutory Reserve (10% of after tax profit)	1,760
Bonus shares issued-2010	3,364
Cash dividend paid-2010	10,091
	15,215
Profit carried forward	69,712
Earning per share (Rs)	10.53

On behalf of the Board of Directors

**Qamar Hussain**

President

Date: March 06, 2012

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

As at December 31, 2011

**Anjum Asim Shahid Rahman**

Chartered Accountants

1st & 3rd Floor, Modern Motors House

Beaumont Road

Karachi 75530, Pakistan

**KPMG Taseer Hadi & Co.**

Chartered Accountants

Sheikh Sultan Trust Building No. 2

Beaumont Road

Karachi 75350, Pakistan

We have audited the annexed consolidated financial statements of National Bank of Pakistan (the holding company) and its subsidiary companies (together, The Group) comprising consolidated statement of financial position as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'the consolidated financial statements') for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 80 branches which have been audited by us and 17 branches audited by auditors abroad.

These consolidated 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly in all material respects the financial position of the Group as at December 31, 2011 and the results of its operations, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The consolidated financial statements of the Bank for the year ended December 31, 2010 were audited by Anjum Asim Shahid Rahman, Chartered Accountants and M. Yousuf Adil Saleem & Co., Chartered Accountants who through their report dated March 01, 2011 expressed an unqualified opinion thereon.

**Anjum Asim Shahid Rahman**

Chartered Accountants

**Engagement Partner:**

Muhammad Shaukat Naseeb

Karachi

Date: March 6, 2012

**KPMG Taseer Hadi & Co.**

Chartered Accountants

**Engagement Partner:**

Syed Iftikhar Anjum

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

2010 US Dollars in '000	2011 US Dollars in '000		Note	2011 Rupees in '000	2010 Rupees in '000
<b>ASSETS</b>					
1,285,854	1,465,810	Cash and balances with treasury banks	6	131,843,291	115,657,025
341,799	312,076	Balances with other banks	7	28,069,897	30,743,368
256,279	493,195	Lendings to financial institutions	8	44,360,727	23,051,171
3,347,336	3,552,446	Investments	9	319,527,254	301,078,498
5,324,176	5,860,305	Advances	10	527,109,209	478,886,755
307,082	312,708	Operating fixed assets	11	28,126,754	27,620,697
77,316	88,643	Deferred tax assets	12	7,973,084	6,954,228
600,659	738,999	Other assets	13	66,469,884	54,026,725
11,540,501	12,824,182			1,153,480,100	1,038,018,467
<b>LIABILITIES</b>					
89,016	101,225	Bills payable	14	9,104,710	8,006,631
218,545	293,195	Borrowings	15	26,371,675	19,657,207
9,251,516	10,310,833	Deposits and other accounts	16	927,415,132	832,134,054
-	-	Sub-ordinated loans		-	-
1,372	1,031	Liabilities against assets subject to finance lease	17	92,739	123,413
-	-	Deferred tax liabilities	12	-	-
520,295	608,161	Other liabilities	18	54,701,435	46,798,330
10,080,744	11,314,445			1,017,685,691	906,719,635
1,459,757	1,509,737	<b>NET ASSETS</b>		135,794,409	131,298,832
<b>REPRESENTED BY</b>					
149,586	186,983	Share capital	19	16,818,286	13,454,629
279,384	291,359	Reserves		26,206,507	25,129,425
746,046	775,046	Unappropriated profit		69,712,113	67,103,611
1,175,016	1,253,388			112,736,906	105,687,665
5,538	5,509	Non-controlling interest		495,488	498,076
1,180,554	1,258,897			113,232,394	106,185,741
279,203	250,840	Surplus on revaluation of assets - net	20	22,562,015	25,113,091
1,459,757	1,509,737	<b>CONTINGENCIES AND COMMITMENTS</b>	21	135,794,409	131,298,832

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

President

Director

Director

Director

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2011

2010	2011		Note	2011	2010
US Dollars in '000				Rupees in '000	
985,944	1,063,861	Mark-up / return / interest earned	23	95,689,741	88,681,381
502,189	539,398	Mark-up / return / interest expensed	24	48,516,517	45,169,744
483,755	524,463	Net mark-up / interest income		47,173,224	43,511,637
77,913	69,149	Provision against non-performing advances-net	10.4	6,219,671	7,007,975
32,297	34,893	Provision for diminution			
1,029	-	in the value of investments-net	9.11	3,138,494	2,904,949
45	-	Impairment of goodwill		-	92,593
111,284	104,042	Provision against off balance sheet obligations	18.1	-	3,965
372,471	420,421	Net mark-up / interest income after provisions		9,358,165	10,009,482
				37,815,059	33,502,155
<b>NON MARK-UP / INTEREST INCOME</b>					
109,751	110,606	Fee, commission and brokerage income		9,948,547	9,871,667
11,866	17,735	Dividend income		1,595,192	1,067,273
25,336	35,540	Income from dealing in foreign currencies	25	3,196,630	2,278,898
27,932	26,574	Gain on sale and redemption of securities - net	26	2,390,211	2,512,363
75	(389)	Unrealized (loss) / gain on revaluation of			
(189)	359	investments classified as held-for-trading	9.12	(35,039)	6,730
744	930	Share of loss from joint ventures		32,181	(16,976)
2,003	1	Share of profits from associates - net of tax		83,559	66,906
24,280	28,274	Gain on revaluation of previously held equity interest		-	180,131
201,798	219,630	Other income	27	2,543,139	2,183,891
574,269	640,051	Total non mark-up / interest income		19,754,420	18,150,883
				57,569,479	51,653,038
<b>NON MARK-UP / INTEREST EXPENSES</b>					
297,202	341,993	Administrative expenses	28	30,760,815	26,732,045
1,999	6,168	Other provisions / write offs		554,810	179,819
1,322	1,533	Other charges	29	137,852	118,887
300,523	349,694	Total non mark-up / interest expenses		31,453,477	27,030,751
273,746	290,357			26,116,002	24,622,287
-	-	Extra ordinary / unusual items		-	-
273,746	290,357	<b>PROFIT BEFORE TAXATION</b>		26,116,002	24,622,287
109,751	102,616	Taxation - Current		9,229,882	9,871,640
(10,430)	2,891	- Prior year(s)		260,000	(938,158)
(22,788)	(12,041)	- Deferred		(1,083,045)	(2,049,600)
76,533	93,466		30	8,406,837	6,883,882
197,213	196,891	<b>PROFIT AFTER TAXATION</b>		17,709,165	17,738,405
<b>Attributable to:</b>					
198,001	196,920	Shareholders of the bank		17,711,753	17,809,304
(788)	(29)	Non-controlling interest		(2,588)	(70,899)
197,213	196,891			17,709,165	17,738,405
----- US Dollars -----				----- Rupees -----	
0.12	0.12	Basic and diluted earnings per share	31	10.53	10.59

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

President

Director

Director

Director

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011

2010 US Dollars in '000		2011 Rupees in '000	
197,213	196,891	17,709,165	17,738,405
<b>Profit after taxation for the year</b>			
<b>Other comprehensive income:</b>			
(244)	(7,598)	(683,390)	(21,955)
Exchange adjustments on translation of net assets of foreign branches, subsidiaries and joint venture			
-	-	-	-
Income tax relating to component of other comprehensive income			
(244)	(7,598)	(683,390)	(21,955)
<u>196,969</u>	<u>189,293</u>	<u>17,025,775</u>	<u>17,716,450</u>
<b>Comprehensive income transferred to equity</b>			
<b>Components of comprehensive income not reflected in equity</b>			
(2,054)	(27,528)	(2,476,068)	(184,745)
Deficit on revaluation of investments			
3,092	(714)	(64,189)	278,133
Deferred tax on revaluation of investments			
1,038	(28,242)	(2,540,257)	93,388
<u>198,007</u>	<u>161,051</u>	<u>14,485,518</u>	<u>17,809,838</u>
<b>Total comprehensive income</b>			
<b>Attributable to:</b>			
198,795	161,080	14,488,106	17,880,737
Shareholders of the bank			
(788)	(29)	(2,588)	(70,899)
Non-controlling interest			
<u>198,007</u>	<u>161,051</u>	<u>14,485,518</u>	<u>17,809,838</u>

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

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

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President

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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, 2011

2010 US Dollars in '000	2011 US Dollars in '000		Note	2011 Rupees in '000	2010 Rupees in '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
273,746	290,357	Profit before taxation		26,116,002	24,622,287
(11,866)	(17,735)	Less: Dividend income		(1,595,192)	(1,067,273)
<u>261,880</u>	<u>272,622</u>			<u>24,520,810</u>	<u>23,555,014</u>
Adjustments:					
12,291	14,865	Depreciation	11.2	1,337,073	1,105,494
144	388	Amortization	11.3	34,854	12,920
77,913	69,149	Provision against non-performing advances - net	10.4	6,219,671	7,007,975
32,297	34,893	Provision for diminution in the value of investments - net	9.11	3,138,494	2,904,949
44	-	Provision against off balance sheet obligations	18.1	-	3,965
(75)	390	Unrealized loss / (gain) on revaluation of investments classified as held-for-trading	9.12	35,039	(6,730)
(3,273)	(7,127)	Capital gain on redemption of NI(U)T LoC Units	26	(641,081)	(294,424)
1,029	-	Impairment of goodwill		-	92,593
(389)	(197)	Gain on sale of operating fixed assets	11.7	(17,710)	(34,968)
242	337	Financial charges on leased assets		30,335	21,766
189	(358)	Share of (Gain) / loss from joint ventures		(32,181)	16,976
(744)	(929)	Share of profits from associates		(83,559)	(66,906)
1,998	6,168	Other provisions / write offs		554,810	179,819
<u>121,666</u>	<u>117,579</u>			<u>10,575,745</u>	<u>10,943,429</u>
<u>383,546</u>	<u>390,201</u>			<u>35,096,555</u>	<u>34,498,443</u>
(Increase) / decrease in operating assets					
(37,706)	(237,360)	Lendings to financial institutions - gross		(21,349,556)	(3,391,495)
(46,287)	(80,514)	Net investment in trading securities		(7,241,912)	(4,163,338)
(118,930)	(605,278)	Advances - net		(54,442,125)	(10,697,281)
51,274	(84,177)	Other assets (excluding advance tax)		(7,571,331)	4,611,992
<u>(151,649)</u>	<u>(1,007,329)</u>			<u>(90,604,924)</u>	<u>(13,640,122)</u>
Increase in operating liabilities					
(29,068)	12,208	Bills payable		1,098,079	(2,614,538)
(285,103)	76,459	Borrowings		6,877,148	(25,643,768)
1,163,158	1,059,318	Deposits and other accounts		95,281,078	104,621,041
49,667	86,045	Other liabilities (excluding current taxation)		7,739,352	4,467,321
<u>898,654</u>	<u>1,234,030</u>			<u>110,995,657</u>	<u>80,830,056</u>
(103,911)	(158,666)	Income tax paid		(14,271,368)	(9,346,271)
(242)	(337)	Financial charges paid		(30,335)	(21,766)
<u>(104,153)</u>	<u>(159,003)</u>			<u>(14,301,703)</u>	<u>(9,368,037)</u>
<u>1,026,398</u>	<u>457,899</u>	Net cash generated from operating activities		<u>41,185,585</u>	<u>92,320,340</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(1,012,188)	56,006	Net investment in available-for-sale securities		5,037,467	(91,041,973)
101,626	(172,999)	Net investment in held-to-maturity securities		(15,560,547)	9,140,800
11,866	15,683	Dividend income received		1,410,628	1,067,273
(30,662)	(23,039)	Investment in operating fixed assets (including intangible)		(2,072,260)	(2,757,917)
(244)	(7,598)	Effects of exchange differences on translation of net assets of foreign branches		(683,390)	(21,955)
(2,327)	(63,086)	Investment in subsidiary and associates		(5,674,293)	(209,288)
701	1,907	Sale proceeds of operating fixed assets disposed off	11.7	171,508	63,185
<u>(931,228)</u>	<u>(193,126)</u>	Net cash used in investing activities		<u>(17,370,887)</u>	<u>(83,759,875)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(304)	(689)	Payments of lease obligations		(62,004)	(27,310)
(89,615)	(112,037)	Dividend paid		(10,077,219)	(8,060,510)
(89,919)	(112,726)	Net cash used in financing activities		(10,139,223)	(8,087,820)
<u>5,251</u>	<u>152,047</u>	Increase in cash and cash equivalents		<u>13,675,475</u>	<u>472,645</u>
<u>1,616,427</u>	<u>1,621,682</u>	Cash and cash equivalents at beginning of the year		<u>145,863,319</u>	<u>145,390,674</u>
<u>1,621,678</u>	<u>1,773,729</u>	Cash and cash equivalents at end of the year	32	<u>159,538,794</u>	<u>145,863,319</u>

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

President

Director

Director

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2011

	Share capital	Reserves				Unappropriated Profit	Sub total	Non Controlling Interest	Total
		Capital			Revenue General				
		Exchange Translation	Bonus Shares Issue	Statutory					
----- Rupees in '000 -----									
Balance as at January 1, 2010	10,763,702	7,529,156	-	15,344,565	521,338	61,696,594	95,855,355	110,930	95,966,285
Acquisition of NBP Fullerton Asset Management (Formerly National Asset Fullerton Management)	-	-	-	-	-	-	-	458,045	458,045
<b>Total comprehensive income for the year</b>									
Profit after tax for the year ended December 31, 2010	-	-	-	-	-	17,809,304	17,809,304	(70,899)	17,738,405
Other comprehensive income - Exchange adjustment on translation of foreign branches, subsidiaries and joint venture	-	(21,955)	-	-	-	-	(21,955)	-	(21,955)
Transferred from surplus on revaluation of operating fixed assets	-	(21,955)	-	-	-	17,809,304	17,787,349	(70,899)	17,716,450
Transfer to statutory reserve	-	-	-	1,756,321	-	(1,756,321)	-	-	-
<b>Transactions with owners, recorded directly in equity</b>									
Transfer for issue of bonus shares	-	-	2,690,927	-	-	(2,690,927)	-	-	-
Issue of bonus shares (25%)	2,690,927	-	(2,690,927)	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2009 (Rs. 7.5 per share)	-	-	-	-	-	(8,072,777)	(8,072,777)	-	(8,072,777)
	2,690,927	-	-	-	-	(10,763,704)	(8,072,777)	-	(8,072,777)
<b>Balance as at December 31, 2010</b>	<b>13,454,629</b>	<b>7,507,201</b>	<b>-</b>	<b>17,100,886</b>	<b>521,338</b>	<b>67,103,611</b>	<b>105,687,665</b>	<b>498,076</b>	<b>106,185,741</b>
<b>Total comprehensive income for the year</b>									
Profit after tax for the year ended December 31, 2011	-	-	-	-	-	17,711,753	17,711,753	(2,588)	17,709,165
Other comprehensive income - Exchange adjustment on translation of foreign branches, subsidiaries and joint venture	-	(683,390)	-	-	-	-	(683,390)	-	(683,390)
Transferred from surplus on revaluation of operating fixed assets	-	(683,390)	-	-	-	17,711,753	17,028,363	(2,588)	17,025,775
Transfer to statutory reserve	-	-	-	1,760,472	-	(1,760,472)	-	-	-
<b>Transactions with owners, recorded directly in equity</b>									
Transfer for issue of bonus shares	-	-	3,363,657	-	-	(3,363,657)	-	-	-
Issue of bonus shares (25%)	3,363,657	-	(3,363,657)	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2010 (Rs. 7.5 per share)	-	-	-	-	-	(10,090,972)	(10,090,972)	-	(10,090,972)
	3,363,657	-	-	-	-	(13,454,629)	(10,090,972)	-	(10,090,972)
<b>Balance as at December 31, 2011</b>	<b>16,818,286</b>	<b>6,823,811</b>	<b>-</b>	<b>18,861,358</b>	<b>521,338</b>	<b>69,712,113</b>	<b>112,736,906</b>	<b>495,488</b>	<b>113,232,394</b>

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

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President

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Director

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Director

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Director



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1. THE GROUP AND ITS OPERATIONS

### 1.1 The "Group" consists of:

Holding Company

	Percentage Holding	
	2011	2010
- National Bank of Pakistan (the bank)		
	%	%
Subsidiary Companies		
- NBP Leasing Limited	100	100
- JSC Subsidiary Bank of NBP in Kazakhstan	100	100
- NBP Exchange Company Limited	100	100
- NBP Modaraba Management Company Limited	100	100
- Taurus Securities Limited	58.32	58.32
- NBP Fullerton Asset Management Limited	54	54
- Cast-N-Link Products Limited (Note 9.10)	76.51	76.51

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

#### National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,277 (2010: 1,266) branches in Pakistan and 23 (2010: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

#### NBP Leasing Limited, Pakistan

NBP Leasing Limited (NBPLL) was incorporated in Pakistan on November 7, 1995 as a public limited unquoted company under the Companies Ordinance, 1984. The registered office of NBPLL is situated at 4th Floor, P.R.C. Towers, M.T. Khan Road, Karachi. NBPLL is principally engaged in the business of leasing as licensed under the Non-Banking Finance Companies Rules, 2003 (the NBFC Rules). NBPLL was also engaged previously in the business of discounting / trade of negotiable instruments which has been discontinued, since May 15, 2008 due to changes in Non-Banking Finance Companies and Notified Entities Regulations, 2008.

#### JSC Subsidiary Bank of NBP in Kazakhstan

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

#### NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the Companies Ordinance, 1984. NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R.Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 12 branches (2010: 12 branches).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## **NBP Modaraba Management Company Limited, Pakistan**

NBP Modaraba Management Company Limited (NBPMML) is a public unlisted company, incorporated in Pakistan on August 6, 1992. Its registered office is 26 - Mclagon Road, Lahore. The principal purpose of the NBPMML is to float and manage modarabas. NBPMML at present is managing First National Bank Modaraba.

## **Taurus Securities Limited, Pakistan**

Taurus Securities Limited (TSL) is a public unlisted company, incorporated in Pakistan on June 27, 1993 under the Companies Ordinance, 1984. The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling and fund placements. TSL is a corporate member of the Karachi Stock Exchange (Guarantee) Limited.

## **NBP Fullerton Asset Management Limited**

NBP Fullerton Asset Management Limited (NAFA), was incorporated in Pakistan as public limited company on August 24, 2005 under the Companies Ordinance, 1984 and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NAFA are National Bank of Pakistan and Alexandra Fund Management Pte. Ltd. (a member of Fullerton Fund Management Group, Singapore). The company is mainly involved in the business of asset management and investment advisory services. The company has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry on business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section of 282C of the Companies Ordinance, 1984 and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.

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

As at December 31, 2011 the company is managing the following funds and discretionary portfolio:

	<b>Type of Fund</b>
- NAFA Income Opportunity Fund, formerly NAFA Cash Fund	Open end Fund
- NAFA Income Fund	Open end Fund
- NAFA Islamic Aggressive Income Fund	Open end Fund
- NAFA Islamic Multi Asset Fund	Open end Fund
- NAFA Multi Asset Fund	Open end Fund
- NAFA Stock Fund	Open end Fund
- NAFA Government Securities Liquid Fund	Open end Fund
- NAFA Savings Plus Fund	Open end Fund
- NAFA Riba Free Savings Fund	Open end Fund
- NAFA Asset Allocation Fund	Open end Fund
- NAFA Financial Sector Income Fund	Open end Fund
- Discretionary Portfolio	

## **1.2 Basis of Consolidation**

- The consolidated financial statements include the financial statements of the bank (holding company) and its subsidiary companies together - "the Group".
- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiary is measured at the portion of operation and of net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.
- The management of the Bank had applied to the Securities & Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 237 of the Companies Ordinance, 1984 in respect of consolidating its subsidiary Cast-N-Link Products Limited (CNL). The SECP, vide its letter #EMD/233/627/2002-852 dated January 6, 2012 under section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the Bank in CNL is not material and comprise of 0.0003% of the total assets of the Bank, and the investment have been fully provided for, granted the exemption from consolidating CNL in its financial statements for the year ended December 31, 2011.

## 2. BASIS OF PRESENTATION

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

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

- 2.2 The US Dollar amounts shown on the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 89.9457 to 1 US Dollar has been used for 2010 and 2011 as it was the prevalent rate as on December 31, 2011.

## 3. STATEMENT OF COMPLIANCE

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

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

#### 3.3.1 New / revised standards and interpretations to existing standards effective from current period or earlier adopted

The following standards (revised or amended) and interpretations became effective for the current financial period or earlier adopted:

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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

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

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

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

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). Securities and Exchange Commission of Pakistan has granted an exemption from application of IFRS 2 to the Scheme. Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs. 1,125 million (December 31, 2010: Rs. 1,125 million), profit before taxation would have been lower by Rs. 1,125 million (December 31, 2010: Rs. 1,125 million), unappropriated profit would have been lower by Rs. 2,677 million (December 31, 2010: Rs. 1,552 million) and reserves would have been higher by Rs. 2,677 million (December 31, 2010: Rs. 1,552 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.67 per share (December 31, 2010: Rs. 0.67).

### 3.3.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendments are not relevant to the Group's financial statements.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendment are not likely to have an impact on financial statements of the Bank.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendment are not likely to have an impact on Group's financial statements.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. During the year, the Group has not recognised any actuarial loss in the consolidated profit and loss account and its net unrecognised actuarial loss at December 31, 2011 amounted to Rs. 5,259 million. Following the change actuarial losses will be recorded immediately in other comprehensive income.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments are not likely to have an impact on Group's financial statements.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments are not likely to have an impact on Group's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Group's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments are not likely to have an impact on Group's financial statements.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation is not relevant to the Group's financial statements.

#### 4. BASIS OF MEASUREMENT

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Business Combination

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

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

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

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

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

### 5.2 Goodwill

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

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

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

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

### 5.3 Cash and cash equivalents

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 5.4 Investments

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 5.5 Discount of negotiable instruments

These are stated at amortized cost less provision for doubtful debts, if any. The provision is made in accordance with the SECP Prudential Regulations for Non-Banking Finance Companies.

## 5.6 Repurchase and resale agreements

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

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

## 5.7 Derivative financial instruments

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

## 5.8 Financial instruments

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

## 5.9 Advances

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

## 5.10 Net investment in lease finance

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 5.11 Operating fixed assets and depreciation

### Property and equipment

#### Owned assets

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

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

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

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

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

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

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

#### Leased assets (as lessee)

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

#### Ijarah (as lessor)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## Intangible assets

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

## Capital work-in-progress

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

## Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, operating fixed assets are written down to their recoverable amounts. The resulting impairment loss is taken to consolidated profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

## 5.12 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

## 5.13 Taxation

### Current

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

### Deferred

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

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 5.14 Employee benefits

### 5.14.1 Defined benefit plans

#### Pension scheme

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

#### Gratuity scheme

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

#### Post retirement medical benefits

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

#### Benevolent scheme

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

### 5.14.2 Defined contribution plan

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

### 5.14.3 Retirement and other benefit obligations - In respect of JSC Subsidiary Bank of NBP in Kazakhstan (JSC)

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 5.14.4 Other employee benefits

### Employees' compensated absences

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

## 5.15 Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

## 5.16 Foreign currencies translation

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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

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

## 5.17 Provision for off balance sheet obligations

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

## 5.18 Off setting

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

## 5.19 Fiduciary assets

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

## 5.20 Dividend and other appropriations

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

## 5.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2011.

## 5.22 Related party transactions

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

## 5.23 Accounting estimates and judgments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

**a) Provision against non-performing loans and advances**

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

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

**b) Fair value of derivatives**

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

**c) Impairment of available-for-sale investments**

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. In view of the conditions placed on sale of certain investments, the Bank has been allowed exemption from impairment on investments in shares of PSO and SNGPL referred to in note 9.2.1 by SBP.

**d) Held-to-maturity investments**

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

**e) Income taxes**

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

**f) Operating fixed assets, depreciation and amortization**

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

**g) Employees' benefit plans**

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2011	2010
		Rupees in '000	
<b>In hand</b>			
Local currency		12,158,677	11,277,999
Foreign currency		2,784,549	2,690,449
		<u>14,943,226</u>	<u>13,968,448</u>
<b>With State Bank of Pakistan in</b>			
Local currency current accounts	6.1	69,638,374	59,346,406
Local currency deposit account		29	29
		<u>69,638,403</u>	<u>59,346,435</u>
Foreign currency current account	6.2	2,451,020	2,183,736
Foreign currency deposit account	6.2	7,353,061	6,551,208
Foreign currency collection account		164,451	49,397
Foreign currency placement account	6.3	-	8,588,450
		<u>9,968,532</u>	<u>17,372,791</u>
<b>With other central banks in</b>			
Foreign currency current accounts	6.4	29,665,327	15,324,162
Foreign currency deposit accounts	6.5	7,627,803	9,645,189
		<u>37,293,130</u>	<u>24,969,351</u>
	32	<u>131,843,291</u>	<u>115,657,025</u>

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

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

6.3 This represents US Dollar placements and carry interest at the rate of Nil per annum (2010: 0.67% per annum).

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

6.5 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry interest at the rate of 0.25% per annum (2010: 0.23% to 0.25% per annum).

7. BALANCES WITH OTHER BANKS	Note	2011	2010
		Rupees in '000	
<b>In Pakistan</b>			
On current account		88,884	12,612
On deposit account		94,796	342,012
		<u>183,680</u>	<u>354,624</u>
<b>Outside Pakistan</b>			
On current accounts		10,008,831	5,621,968
On deposit accounts	7.1	17,877,386	24,766,776
		<u>27,886,217</u>	<u>30,388,744</u>
	32	<u>28,069,897</u>	<u>30,743,368</u>

7.1 These include various deposits with correspondent banks and carry interest rates ranging from 0.04% to 8.0% per annum (2010: 0.05% to 9.0% per annum).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

8. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2011	2010
		Rupees in '000	
Call money lendings	8.3	722,400	1,006,015
Repurchase agreement lendings (Reverse Repo)	8.4 & 8.4.1	43,638,327	21,932,156
Letters of placement	8.5	173,500	246,500
	8.1	44,534,227	23,184,671
Less: Provision held against lendings	8.2	(173,500)	(133,500)
		<u>44,360,727</u>	<u>23,051,171</u>
<b>8.1 Particulars of lendings - gross</b>			
In local currency		44,534,227	23,184,671
In foreign currencies		-	-
		<u>44,534,227</u>	<u>23,184,671</u>
<b>8.2 Movement in provision held against lendings is as follows:</b>			
Opening balance		133,500	96,000
Charge for the year		40,000	37,500
Closing balance		<u>173,500</u>	<u>133,500</u>

8.3 These carry mark-up [excluding zero rate lending to a financial institution amounting to Rs. 122.400 million (2010: Rs. 153.000 million) which is guaranteed by the SBP] at rates ranging from 12% to 13.15% per annum (2010: 12.75% to 14% per annum) having maturities ranging from January 03, 2012 to March 29, 2012.

8.4 These carry mark-up at rates ranging from 11% to 12% per annum (2010: 12.75% to 13.9% per annum) having maturities ranging from January 03, 2012 to February 27, 2012.

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

	2011			2010		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Market Treasury Bills	35,348,011	-	35,348,011	16,594,751	-	16,594,751
Pakistan Investment Bonds	8,290,316	-	8,290,316	5,337,405	-	5,337,405
	<u>43,638,327</u>	-	<u>43,638,327</u>	<u>21,932,156</u>	-	<u>21,932,156</u>

8.4.2 Market value of the securities under repurchase agreement lendings amount to Rs. 43,483 million (2010: Rs. 22,184 million).

8.5 These carry mark-up at rates ranging from 11.20% to 18.5% per annum (2010: 11.20% to 18.5% per annum). Full provision has been made against these placements at year-end.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

9. INVESTMENTS	Note	2011			2010		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
9.1 Investments by type:		----- Rupees in '000 -----			----- Rupees in '000 -----		
<b>Held-for-trading securities</b>							
		13,042,925	-	13,042,925	5,278,693	-	5,278,693
		97,727	-	97,727	732,253	-	732,253
		611,971	-	611,971	533,677	-	533,677
		54,923	-	54,923	-	-	-
		20,000	-	20,000	-	-	-
		<b>13,827,546</b>	<b>-</b>	<b>13,827,546</b>	<b>6,544,623</b>	<b>-</b>	<b>6,544,623</b>
<b>Available-for-sale securities</b>							
	9.13	27,827,808	-	27,827,808	18,853,296	-	18,853,296
		1,065,173	-	1,065,173	1,053,198	-	1,053,198
	9.6	28,892,981	-	28,892,981	19,906,494	-	19,906,494
		463,295	-	463,295	463,295	-	463,295
		159,199,048	10,971,238	170,170,286	155,716,032	9,051,796	164,767,828
		307,760	-	307,760	294,760	-	294,760
		38,302,933	-	38,302,933	16,201,897	302,801	16,504,698
		3,484,334	-	3,484,334	3,193,093	-	3,193,093
		-	-	-	214,663	-	214,663
		5,362,824	-	5,362,824	3,254,119	-	3,254,119
		19,569,935	-	19,569,935	61,799,389	-	61,799,389
		1,831,543	-	1,831,543	971,574	-	971,574
	9.5.1	-	-	-	1,397,619	-	1,397,619
		600,000	-	600,000	600,000	-	600,000
	9.5.2	1,032,755	-	1,032,755	1,147,500	-	1,147,500
		<b>259,047,408</b>	<b>10,971,238</b>	<b>270,018,646</b>	<b>265,160,435</b>	<b>9,354,597</b>	<b>274,515,032</b>
<b>Held-to-maturity securities</b>							
	9.4	24,105,281	-	24,105,281	8,817,941	-	8,817,941
		215,137	-	215,137	-	-	-
		534,046	-	534,046	-	-	-
		793,296	-	793,296	1,407,077	-	1,407,077
		937,790	-	937,790	114,842	-	114,842
		2,200,567	-	2,200,567	2,885,128	-	2,885,128
	9.3	<b>28,786,117</b>	<b>-</b>	<b>28,786,117</b>	<b>13,224,988</b>	<b>-</b>	<b>13,224,988</b>
	9.7	7,299,447	-	7,299,447	1,645,129	-	1,645,129
	9.8	2,856,556	-	2,856,556	2,574,164	-	2,574,164
	9.10	1,245	-	1,245	1,245	-	1,245
		<b>311,818,319</b>	<b>10,971,238</b>	<b>322,789,557</b>	<b>289,150,584</b>	<b>9,354,597</b>	<b>298,505,181</b>
<b>Less: Provision for diminution in value of investments</b>							
	9.11	(10,081,084)	-	(10,081,084)	(6,716,015)	-	(6,716,015)
		<b>301,737,235</b>	<b>10,971,238</b>	<b>312,708,473</b>	<b>282,434,569</b>	<b>9,354,597</b>	<b>291,789,166</b>
<b>Investments (net of provisions)</b>							
	9.12	(35,039)	-	(35,039)	6,730	-	6,730
	20.1	6,797,616	56,204	6,853,820	9,317,237	(34,635)	9,282,602
		<b>308,499,812</b>	<b>11,027,442</b>	<b>319,527,254</b>	<b>291,758,536</b>	<b>9,319,962</b>	<b>301,078,498</b>
		<b>Total investments at carrying value</b>					

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

9.2 Investments by segments	Note	2011 Rupees in '000	2010
<b>Federal Government Securities</b>			
- Market Treasury Bills		183,428,348	170,046,521
- Pakistan Investment Bonds	9.4	62,505,941	26,054,892
- GoP Foreign Currency Bonds		4,018,380	3,193,093
- Ijarah Sukuk Bonds		<u>2,750,000</u>	<u>1,000,000</u>
		252,702,669	200,294,506
<b>Foreign Government Securities</b>			
		793,296	1,621,740
<b>Fully Paid up Ordinary Shares</b>			
- Listed Companies	9.14	<u>28,439,779</u>	<u>19,386,973</u>
- Unlisted Companies		<u>1,065,173</u>	<u>1,053,198</u>
		29,504,952	20,440,171
<b>Debentures, Bonds, Participation Term Certificates, Term Finance Certificates, Musharika and Sukuk Bonds</b>			
- Listed		<u>2,180,288</u>	<u>2,694,993</u>
- Unlisted		<u>16,860,214</u>	<u>60,989,524</u>
		19,040,502	63,684,517
<b>Foreign Currency Debt Securities</b>			
		6,300,614	3,368,961
<b>Other Investments</b>			
- NI(U)T LoC Units	9.5.1	-	1,397,619
- NI(U)T Non-LoC Units		600,000	600,000
- NIT Equity Market Opportunity Fund Units	9.5.2	1,032,755	1,147,500
- Investments in mutual funds		1,886,466	971,574
- Preference Shares		307,760	294,760
- Investment outside Pakistan	9.6	463,295	463,295
<b>Investments in associates</b>			
	9.7	7,299,447	1,645,129
<b>Investments in joint venture</b>			
	9.8	2,856,556	2,574,164
<b>Investments in subsidiary</b>			
	9.10	1,245	1,245
<b>Total investments at cost</b>		<u>322,789,557</u>	<u>298,505,181</u>
Provision for diminution in value of investments		9.11 (10,081,084)	(6,716,015)
<b>Investments (Net of provisions)</b>		<u>312,708,473</u>	<u>291,789,166</u>
Unrealized (loss) / gain on revaluation of investments classified as held-for-trading		9.12 (35,039)	6,730
Surplus on revaluation of available-for-sale securities		20.1 6,853,820	9,282,602
<b>Total investments at carrying value</b>		<u>319,527,254</u>	<u>301,078,498</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

9.2.1 SBP vide their letter dated January 26, 2012 has granted exemption till December 31, 2012 from recognising impairment loss of Rs. 793 million on account of shares acquired as tri-party consent agreement dated June 29, 2011.

9.3 Market value of held-to-maturity investments is Rs. 26,834 million (2010: Rs. 10,654 million).

9.4 These include Pakistan Investment Bonds amounting to Rs. 75 million (2010: Rs. 75 million) held by the SBP as pledge against demand loans and TT / DD discounting facilities.

9.5 **Investment in Mutual Funds managed by National Investment Trust Limited (NITL)**

9.5.1 **National Investment (Unit) Trust - [NI(U)T]**

In the meeting of NI(U)T - LoC Holders, held on November 11, 2010, the LOC Holders consented to the transfer of frozen shares [Pakistan State Oil Company Limited (PSO) and Sui Northern Gas Pipe Line Limited (SNGPL)] to the Bank on closing share price of October 13, 2010. A letter was also sent to the Privatization Commission (PC) to communicate about the settlement and obtain concurrence for transfer of the strategic assets to the Bank. PC responded on February 17, 2011 requiring that new agreement would be signed between the Bank, NITL and PC and the frozen shares after the transfer to the Bank will remain frozen in the books of the Bank on the same conditions as these are held by NITL. In this respect a new agreement termed as "Consent Agreement" was finalised on June 29, 2011. Consequently the Bank has recorded the redemption / disposal of remaining 71.347 million LoC units and in consideration of those units the Bank has recorded its share of Strategic Investments at the closing rate of October 13, 2010. The Bank's share of Strategic Investments comprise of the shares of PSO (11.00 million shares) and SNGPL (13.72 million shares). Accordingly, there is a capital gain of Rs. 641 million on redemption / disposal of balance LoC units. The share of other LoC Holders has been recorded as payable to NI(U)T - LOC Holders Fund. These shares are valued at Rs. 2,715 million and can not be sold without the concurrence of PC.

9.5.2 **NIT Equity Market Opportunity Fund**

The bank's investment is Rs. 1,033 million (2010: Rs. 1,148 million) in NIT Market Opportunity Fund (NIT EMOF). NIT EMOF was established in the year 2008 as an open end mutual fund for the special purpose of equity market stabilization and is managed by National Investment Management Limited. As of the statement of financial position date, the net assets value of the NIT EMOF units held by the Bank amounted to Rs. 1,380 million (2010: Rs. 1,650 million).

9.6 **Investment outside Pakistan - Bank Al-Jazira**

The bank holds 17,500,000 (2010: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2010: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. Rating of BAJ is BBB+ by Capital Intelligence.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

9.7 Investments in associates			2011	2010	
Unlisted	Number of shares	Percentage of holding	Rupees in '000		
			Note		
Pakistan Emerging Venture Limited	12,500,000	33.33		51,415	51,415
Information System Associates Limited	2,300,000	21.89		1,719	1,719
National Fructose Company Limited	1,300,000	39.50		6,500	6,500
Pakistan Insulation Limited	-	-		-	695
Venture Capital Fund Management	33,333	33.33		-	-
Kamal Enterprises Limited	11,000	20.37		-	-
Mehran Industries Limited	37,500	32.05		-	-
National Assets Insurance Company Limited	4,481,500	8.96		44,815	-
Tharparkar Sugar Mills Limited	2,500,000	21.50		-	-
Youth Investment Promotion Society	644,508	25.00		-	-
Khushhali Bank Limited	40,000,000	23.45		400,000	400,000
Dadabhoj Energy Supply Company Limited	9,900,000	23.11		32,105	32,105
K-Agricole Limited	5,000	20.00		-	-
New Pak Limited	200,000	20.00		-	-
Pakistan Mercantile Exchange Limited	9,000,000	30.00		90,000	90,000
Prudential Fund Management	150,000	20.00		-	-
				626,554	582,434
<b>Listed</b>					
First Credit and Investment Bank Limited	20,000,000	30.77		217,317	243,039
National Fibres Limited	17,119,476	20.19		-	-
Taha Spinning Mills Limited	833,300	20.59		2,501	2,501
Land Mark Spinning Mills Limited	3,970,859	32.79		39,710	39,710
S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
Nina Industries Limited	4,906,000	20.27		49,060	49,060
First National Bank Modaraba	7,500,000	30.00		99,372	96,394
AKD Opportunity Fund	3,280,254	24.55		97,521	-
NAFA Income Fund	2,080,775	4.11		14,719	21,432
NAFA Riba Free Fund	5,009,987	20.62		61,257	51,752
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	3,601,691	1.66		30,116	36,691
NAFA Multi Asset Fund	4,410,752	7.28		28,690	46,755
NAFA Financial Sector Income Fund	49,917,635	48.56		503,892	-
NAFA Stock Fund	7,500,000	5.44		40,333	57,022
NAFA Islamic Aggressive Income Fund (Formerly NAFA Islamic Income Fund)	7,500,000	35.27		53,277	59,671
NAFA Islamic Multi Asset Fund	7,500,000	27.93		60,409	78,350
NAFA Government Securities Liquid Fund	502,722,026	32.75		5,125,943	30,934
NAFA Savings Plus Fund	3,000,000	5.03		30,241	30,849
			9.7.1	6,672,893	1,062,695
				7,299,447	1,645,129
Less: Provision for diminution				(620,640)	(492,240)
				6,678,807	1,152,889

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

- 9.7.1 Aggregate value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs. 6,548 million (2010: Rs. 887.389 million). Due to low trade volumes of securities, management considers that there is no active market for these quoted investments, except for First Credit and Investment Bank Limited, AKD Opportunity Fund and NAFA Funds therefore provision for impairment has been made against the same.
- 9.7.2 Associates with zero carrying amount, represent the investments acquired from former NDFC which have negative equity or whose operations were closed at the time of amalgamation.
- 9.7.3 Subsequent to year end a consortium led by United Bank Limited have offered a price of Rs. 20.44 per share for Bank's holding in Khushali Bank Limited.
- 9.7.4 The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value
	Rupees in '000	
Pakistan Emerging Venture Limited	June 30, 2011	1,694
Information System Associates Limited	June 30, 2011	17,949
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Khushhali Bank Limited	December 31, 2010	520,400
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2011	(84,533)

## 9.8 Investments in joint venture

	Note	2011	2010
		Rupees in '000	
United National Bank Limited (UNBL)		2,856,556	2,574,163
	9.8.1	2,856,556	2,574,163

- 9.8.1 Under a joint venture agreement, the Bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.
- 9.9 Investments of the Group in associated companies, First Credit and Investment Bank Limited (FCIBL), First National Bank Modaraba (FNBM), AKD Opportunity Fund, NAFA funds and Joint Venture company, United National Bank Limited have been accounted for under equity method of accounting as at December 31, 2011 in accordance with the treatment specified in International Accounting Standard 28 "Investments in Associates" and International Accounting Standard 31 "Interests in Joint Ventures" respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Below is the summary of financial information of associates and joint venture company that have been accounted for under equity method of accounting:

		2011				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		----- (Rupees in '000) -----				
United National Bank Limited	December 31, 2011	28,973,329	22,740,193	6,233,136	960,479	10,377
First Credit and Investment Bank Limited	December 31, 2011	1,351,120	664,233	686,887	69,235	(24,508)
First National Bank Modaraba	June 30, 2011	2,167,573	1,830,433	337,140	473,558	30,600
AKD Opportunity Fund	September 30, 2011	393,546	5,420	388,126	(23,279)	(26,294)
NAFA Income Fund	December 31, 2011	409,183	3,310	405,873	27,445	(44,875)
NAFA Riba Free Fund	December 31, 2011	639,116	3,561	635,555	31,804	27,206
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	December 31, 2011	2,563,096	480,557	2,082,539	152,626	(197,591)
NAFA Multi Asset Fund	December 31, 2011	582,093	20,087	562,006	29,510	(30,799)
NAFA Financial Sector Income Fund	December 31, 2011	1,054,127	3,931	1,050,196	23,145	19,059
NAFA Stock Fund	December 31, 2011	848,289	11,631	836,658	40,114	(80,929)
NAFA Islamic Aggressive Income Fund (Formerly NAFA Islamic Income Fund)	December 31, 2011	165,447	2,504	162,943	11,721	(8,224)
NAFA Islamic Multi Asset Fund	December 31, 2011	250,280	8,309	241,971	15,017	(23,456)
NAFA Government Securities Liquid Fund	December 31, 2011	15,707,685	71,751	15,635,934	820,780	692,298
NAFA Savings Plus Fund	December 31, 2011	608,857	4,584	604,273	41,012	33,552
		2010				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		----- (Rupees in '000) -----				
United National Bank Limited	December 31, 2010	21,009,339	15,288,886	5,720,453	781,888	(62,928)
First Credit and Investment Bank Limited	June 30, 2010	1,464,724	533,249	931,475	164,282	7,874
First National Bank Modaraba	June 30, 2010	1,761,258	1,429,718	331,540	370,064	26,234
NAFA Income Fund	December 31, 2011	464,445	3,511	460,934	30,734	9,929
NAFA Riba Free Fund	December 31, 2011	379,786	3,008	376,778	7,419	8,014
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	December 31, 2011	2,987,511	482,347	2,505,164	262,677	224,677
NAFA Multi Asset Fund	December 31, 2011	714,582	8,594	705,988	178,682	143,863
NAFA Stock Fund	December 31, 2011	982,578	55,783	926,795	220,229	187,215
NAFA Islamic Aggressive Income Fund (Formerly NAFA Islamic Income Fund)	December 31, 2011	181,006	2,570	178,436	17,536	20,823
NAFA Islamic Multi Asset Fund	December 31, 2011	296,344	7,762	288,582	66,415	53,697
NAFA Government Securities Liquid Fund	December 31, 2011	10,866,258	55,824	10,810,434	464,338	389,536
NAFA Savings Plus Fund	December 31, 2011	551,332	6,101	545,231	39,674	31,615

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 9.9.1 Movement Schedule for Investment in Associates and Joint Venture

	2011								
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year	Exchange Transalati on Reserve - net of tax	Surplus (Deficit) on Revaluation Properties	Surplus (Deficit) on Revaluation Securities	Closing Balance
	Rupees in '000								
<b>Joint Venture</b>									
United National Bank Limited	2,574,163	-	-	-	32,181	131,121	148,541	(29,450)	2,856,556
	<b>2,574,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,181</b>	<b>131,121</b>	<b>148,541</b>	<b>(29,450)</b>	<b>2,856,556</b>
<b>Associates</b>									
<b>Listed</b>									
First Credit and Investment Bank Limited	243,039	-	-	-	(20,619)	-	-	(5,103)	217,317
National Fibres Limited	-	-	-	-	-	-	-	-	-
Taha Spinning Mills Limited	2,501	-	-	-	-	-	-	-	2,501
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,535	-	-	-	-	-	-	-	218,535
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
First National Bank Modaraba	96,394	-	-	-	2,978	-	-	-	99,372
AKD Opportunity Fund	-	100,000	-	-	(2,479)	-	-	-	97,521
NAFA Income Fund	21,432	-	-	-	(3,082)	-	-	(3,631)	14,719
NAFA Riba Free Fund	51,752	-	-	-	9,453	-	-	52	61,257
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	36,691	-	-	(2,488)	(4,087)	-	-	-	30,116
NAFA Multi Asset Fund	46,755	-	-	(8,732)	(2,361)	-	-	(6,972)	28,690
NAFA Financial Sector Income Fund	-	500,000	-	-	3,085	-	-	807	503,892
NAFA Stock Fund	57,022	-	-	(10,524)	(3,305)	-	-	(2,860)	40,333
NAFA Islamic Aggressive Income Fund (Formerly NAFA Islamic Income Fund)	59,671	-	-	(9,154)	(26)	-	-	2,786	53,277
NAFA Islamic Multi Asset Fund	78,350	-	-	(16,757)	(662)	-	-	(522)	60,409
NAFA Government Securities Liquid Fund	30,934	5,100,000	-	(104,139)	101,535	-	-	(2,387)	5,125,943
NAFA Savings Plus Fund	30,849	-	-	(3,731)	3,129	-	-	(6)	30,241
<b>Unlisted</b>									
Pakistan Emerging Venture Limited	51,415	-	-	-	-	-	-	-	51,415
Information System Associates Limited	1,719	-	-	-	-	-	-	-	1,719
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
Pakistan Insulation Limited	695	-	(695)	-	-	-	-	-	-
Venture Capital Fund Management	-	-	-	-	-	-	-	-	-
Kamal Enterprises Limited	-	-	-	-	-	-	-	-	-
Mehran Industries Limited	-	-	-	-	-	-	-	-	-
National Assets Insurance Company Limited	-	44,815	-	-	-	-	-	-	44,815
Tharparkar Sugar Mills Limited	-	-	-	-	-	-	-	-	-
Youth Investment Promotion Society	-	-	-	-	-	-	-	-	-
Khushhali Bank Limited	400,000	-	-	-	-	-	-	-	400,000
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
K-Agricole Limited	-	-	-	-	-	-	-	-	-
New Pak Limited	-	-	-	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	90,000	-	-	-	-	-	-	-	90,000
Prudential Fund Management	-	-	-	-	-	-	-	-	-
	<b>1,645,129</b>	<b>5,744,815</b>	<b>(695)</b>	<b>(155,525)</b>	<b>83,559</b>	<b>-</b>	<b>-</b>	<b>(17,836)</b>	<b>7,299,447</b>



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For the year ended December 31, 2011

## 9.9.1 Movement Schedule for Investment in Associates and Joint Venture

	2010								
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year	Exchange Transalati on Reserve - net of tax	Surplus (Deficit) on Revaluation Properties	Surplus (Deficit) on Revaluation Securities	Closing Balance
----- Rupees in '000 -----									
<b>Joint Venture</b>									
United National Bank Limited	2,317,249	-	-	-	(10,685)	(59,407)	328,106	(1,100)	2,574,163
	<b>2,317,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,685)</b>	<b>(59,407)</b>	<b>328,106</b>	<b>(1,100)</b>	<b>2,574,163</b>
<b>Associates</b>									
<b>Listed</b>									
First Credit and Investment Bank Limited	259,194	-	-	-	(16,155)	-	-	-	243,039
National Fibres Limited	-	-	-	-	-	-	-	-	-
Taha Spinning Mills Limited	2,501	-	-	-	-	-	-	-	2,501
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,535	-	-	-	-	-	-	-	218,535
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
First National Bank Modaraba	93,651	-	-	(7,091)	9,834	-	-	-	96,394
NAFA Income Fund	-	61,870	(40,144)	-	(268)	-	-	(26)	21,432
NAFA Riba Free Fund	-	50,100	-	-	1,652	-	-	-	51,752
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	-	35,920	-	(789)	3,464	-	-	(1,904)	36,691
NAFA Multi Asset Fund	-	42,124	-	(1,688)	7,629	-	-	(1,310)	46,755
NAFA Stock Fund	-	57,554	-	(6,872)	6,340	-	-	-	57,022
NAFA Islamic Aggressive Income Fund (Formerly NAFA Islamic Income Fund)	-	52,826	-	(8,996)	26,800	-	-	(10,959)	59,671
NAFA Islamic Multi Asset Fund	-	73,229	-	(9,163)	23,030	-	-	(8,746)	78,350
NAFA Government Securities Liquid Fund	-	30,861	-	(2,327)	2,400	-	-	-	30,934
NAFA Savings Plus Fund	-	31,072	-	(2,403)	2,180	-	-	-	30,849
<b>Unlisted</b>									
Pakistan Emerging Venture Limited	51,415	-	-	-	-	-	-	-	51,415
Information System Associates Limited	1,719	-	-	-	-	-	-	-	1,719
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
Pakistan Insulation Limited	695	-	-	-	-	-	-	-	695
Venture Capital Fund Management	-	-	-	-	-	-	-	-	-
Kamal Enterprises Limited	-	-	-	-	-	-	-	-	-
Mehran Industries Limited	-	-	-	-	-	-	-	-	-
National Assets Insurance Company Limited	-	-	-	-	-	-	-	-	-
Tharparkar Sugar Mills Limited	-	-	-	-	-	-	-	-	-
Youth Investment Promotion Society	-	-	-	-	-	-	-	-	-
Khushhali Bank Limited	400,000	-	-	-	-	-	-	-	400,000
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
K-Agricole Limited	-	-	-	-	-	-	-	-	-
New Pak Limited	-	-	-	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	30,000	60,000	-	-	-	-	-	-	90,000
Prudential Fund Management	-	-	-	-	-	-	-	-	-
	<b>1,185,085</b>	<b>495,556</b>	<b>(40,144)</b>	<b>(39,329)</b>	<b>66,906</b>	<b>-</b>	<b>-</b>	<b>(22,945)</b>	<b>1,645,129</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Percentage of holding	2011	2010
<b>9.10 Investments in subsidiaries</b>			
Cast-N-Link Products Limited	76.51	1,245	1,245
		1,245	1,245
Less: Provision for diminution in value of investment		(1,245)	(1,245)
		-	-
	Note	2011	2010
		Rupees in '000	
<b>9.11 Particulars of provision for diminution in value of investments</b>			
Opening balance		6,716,015	2,187,187
Charge for the year		3,945,612	3,280,886
Reversals		(807,118)	(375,937)
		3,138,494	2,904,949
Transfer		227,157	1,630,000
Amount written off	9.11.4	(582)	(6,121)
Closing balance	9.11.1	10,081,084	6,716,015
<b>9.11.1 Particulars of provision in respect of type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares of listed companies and mutual funds		5,710,306	2,964,742
Ordinary shares of unlisted companies		217,675	99,768
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds		2,689,018	2,246,593
Preference shares		113,000	80,000
<b>Held-to-maturity securities</b>			
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates		729,200	831,427
<b>Investments in associates</b>	9.7	620,640	492,240
<b>Investments in subsidiary</b>	9.10	1,245	1,245
		10,081,084	6,716,015
<b>9.11.2 Particulars of provision in respect of segments</b>			
Fully Paid up Ordinary Shares		5,724,689	2,774,312
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9.10.3	3,418,218	3,078,020
Other investments		316,292	370,198
Investments in associates		620,640	492,240
Investments in subsidiary		1,245	1,245
		10,081,084	6,716,015

**9.11.3** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments. During the year, total FSV benefit availed by the Bank resulted in increase in after tax profit of Rs. 997 million. Accordingly, as of December 31, 2011, the accumulated increase in profit after tax of Rs. 1,257 million (2010: Rs. 260 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

9.11.4 Write off / waiver of TFCs	Write off Rupees in '000	Waiver
	582	473
Scan Recycling Limited	-	1,370
Allied Ghee	<u>582</u>	<u>1,843</u>

9.12 Unrealized (loss) / gain on revaluation of investments classified as held-for-trading	2011	2010
	Rupees in '000	
Ordinary shares of listed companies	(39,000)	6,385
Federal Government securities	<u>3,961</u>	<u>345</u>
	<u>(35,039)</u>	<u>6,730</u>

9.13 The investment in shares includes shares of Pakistan International Airlines Corporation, Pakistan National Shipping Corporation, Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company Limited, with carrying value of Rs. 2,769 million that have been frozen by the Government of Pakistan (GoP) for sale in the equity market due to their proposed privatization.

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

10. ADVANCES	Note	2011 Rupees in '000	2010 Rupees in '000
Loans, cash credits, running finances, etc.			
In Pakistan		518,758,918	457,724,559
Outside Pakistan		<u>48,123,170</u>	<u>50,025,522</u>
		566,882,088	507,750,081
Net investment in finance lease			
In Pakistan	10.2	735,031	457,260
Outside Pakistan		-	-
		735,031	457,260
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		11,733,608	19,427,325
Payable outside Pakistan		<u>15,237,920</u>	<u>12,495,712</u>
		26,971,528	31,923,037
Advances - gross	10.1	594,588,647	540,130,378
Less: Provision against non-performing advances		<u>67,479,438</u>	<u>61,243,623</u>
Advances - net of provision		<u>527,109,209</u>	<u>478,886,755</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 10.1 Particulars of advances - gross

	531,563,106	477,609,144
10.1.1 In local currency	63,025,541	62,521,234
In foreign currencies	<u>594,588,647</u>	<u>540,130,378</u>
	403,646,567	357,805,453
10.1.2 Short-term (for upto one year)	190,942,080	182,324,925
Long-term (for over one year)	<u>594,588,647</u>	<u>540,130,378</u>

## 10.2 Net investment in finance lease

	2011			2010			Total	
	Not later than one year	Later than one and less than five years	Over five years	Not later than one year	Later than one and less than five years	Over five years		
				Total				
				Rupees in '000				
Lease rentals receivable	198,729	680,512	-	879,241	277,147	164,153	-	441,300
Residual value	49,921	96,941	-	146,862	51,770	53,287	-	105,057
Minimum lease payments	248,650	777,453	-	1,026,103	328,917	217,440	-	546,357
Financial charges for future periods	<u>165,040</u>	<u>126,032</u>	-	<u>291,072</u>	<u>28,488</u>	<u>60,609</u>	-	<u>89,097</u>
	83,610	651,421	-	735,031	300,429	156,831	-	457,260

The leases executed are for a term of 3 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessees to insure the leased assets in favour of the Group and maintain financial ratios, as required under the SECP Prudential Regulations for Non-Banking Finance Companies. Additional surcharge is charged on delayed rentals. The fixed return implicit in these ranges from 14.15% to 20.65% (2010: 14.12% to 20.63%) per annum.

## 10.3 Advances include Rs. 88,325 million (2010: Rs. 86,872 million) which have been placed under non-performing status as detailed below:

### Category of Classification

	2011									
	Classified Advances			Provision Required			Provision Held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
				Rupees in '000						
Other Assets Especially										
Mentioned	622,297	-	622,297	-	-	-	-	-	-	
Substandard	5,606,741	365,295	5,972,036	1,038,961	91,324	1,130,285	1,038,961	91,324	1,130,285	
Doubtful	12,284,111	908,853	13,192,964	3,865,157	454,426	4,319,583	3,865,157	454,426	4,319,583	
Loss	<u>66,077,877</u>	<u>2,459,423</u>	<u>68,537,300</u>	<u>56,445,890</u>	<u>1,739,857</u>	<u>58,185,747</u>	<u>56,445,890</u>	<u>1,739,857</u>	<u>58,185,747</u>	
	84,591,026	3,733,571	88,324,597	61,350,008	2,285,607	63,635,615	61,350,008	2,285,607	63,635,615	

### Category of Classification

	2010									
	Classified Advances			Provision Required			Provision Held			
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
				Rupees in '000						
Other Assets Especially										
Mentioned	399,848	-	399,848	-	-	-	-	-	-	
Substandard	5,085,209	296,281	5,381,490	937,870	74,070	1,011,940	937,870	74,070	1,011,940	
Doubtful	9,644,901	339,350	9,984,251	2,383,650	169,675	2,553,325	2,383,650	169,675	2,553,325	
Loss	<u>68,585,592</u>	<u>2,520,172</u>	<u>71,105,764</u>	<u>52,066,706</u>	<u>1,846,220</u>	<u>53,912,926</u>	<u>52,066,706</u>	<u>1,846,220</u>	<u>53,912,926</u>	
	83,715,550	3,155,803	86,871,353	55,388,226	2,089,965	57,478,191	55,388,226	2,089,965	57,478,191	

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## 10.4 Particulars of provision against non-performing advances

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	57,478,191	3,765,432	61,243,623	53,750,154	2,014,914	55,765,068
Foreign exchange adjustments	(33,992)	(1,570)	(35,562)	2,681	(451)	2,230
Charge for the year	9,809,034	258,277	10,067,311	9,932,776	1,750,969	11,683,745
Reversal during the year	(3,669,324)	(178,316)	(3,847,640)	(4,675,770)	-	(4,675,770)
	6,139,710	79,961	6,219,671	5,257,006	1,750,969	7,007,975
Transfer in / (out)	478,202	-	478,202	(1,630,000)	-	(1,630,000)
Amounts written off	10.6 (256,574)	-	(256,574)	(27,890)	-	(27,890)
Other adjustments	(169,922)	-	(169,922)	126,240	-	126,240
Closing balance	63,635,615	3,843,823	67,479,438	57,478,191	3,765,432	61,243,623

## 10.5 Particulars of provisions against non-performing advances

	2011			2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	61,350,008	3,339,558	64,689,566	55,388,226	3,371,012	58,759,238
In foreign currencies	2,285,607	504,265	2,789,872	2,089,965	394,420	2,484,385
	63,635,615	3,843,823	67,479,438	57,478,191	3,765,432	61,243,623

**10.5.1** In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances. During the year, total FSV benefit availed by the Bank resulted in increase in after tax profit of Rs. 2,705 million. Accordingly, as of December 31, 2011, the accumulated increase in profit after tax of Rs. 5,039 million (2010: Rs. 2,334 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

**10.5.2** General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, management in the previous year reviewed recoverability of loans in certain sectors with particular reference to history of default and current economic conditions. Based on this review, in addition to specific provision made in accordance with the prudential regulations, a general provision has been made for possible risk of losses in respect of such sectors aggregating Rs. 1,538 million (2010: Rs. 1,716 million).

		Note	2011 Rupees in '000	2010 Rupees in '000
<b>10.6</b>	<b>Particulars of write offs</b>			
	<b>10.5.1</b> Against provisions	10.3	256,574	27,890
			256,574	27,890
	<b>10.5.2</b> Write offs of Rs. 500,000 and above	10.7	11,742	25,034
	Write offs of below Rs. 500,000		244,832	2,856
			256,574	27,890

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 10.7 Details of loans write offs of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2011 is given in Annexure II.

	2011	2010
	Rupees in '000	
<b>10.8 Particulars of loans and advances to directors, associated companies, etc.</b>		
Debts due by directors, executives, officers and staff of the Bank or any of them either severally or jointly with any other person:		
Balance at beginning of the year	19,379,753	19,492,373
Loans granted / additions during the year	3,386,182	3,521,317
Repayments	(3,160,052)	(3,633,937)
Balance at end of the year	<u>19,605,883</u>	<u>19,379,753</u>
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:		
Balance at beginning of the year	17,479,250	12,423,114
Adjustments due to retirement/appointment of directors	(7,914,702)	-
Loans granted / additions during the year	1,635,668	9,969,859
Repayments / other adjustments	(1,192,748)	(4,913,723)
Balance at end of the year	<u>10,007,468</u>	<u>17,479,250</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties:		
Balance at beginning of the year	1,294,419	1,287,942
Loans granted / additions during the year	-	6,477
Repayments	(13,390)	-
Balance at end of the year	<u>1,281,029</u>	<u>1,294,419</u>

## 11. OPERATING FIXED ASSETS

	2011	2010
	Rupees in '000	
Capital work-in-progress	2,490,151	1,984,574
Property and equipment	24,995,000	25,054,803
Intangible assets	641,603	581,320
	<u>28,126,754</u>	<u>27,620,697</u>
<b>11.1 Capital work-in-progress</b>		
Civil works	1,460,038	1,151,590
Equipment	3,144	101
Advances to suppliers and contractors	25,976	123,917
License and implementation fee for core banking software	1,000,993	708,966
	<u>2,490,151</u>	<u>1,984,574</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 11.2 Property and equipment

	Cost / revalued amount			Accumulated depreciation			Book Value at December 31, 2011	Rate of depreciation		
	At January 1, 2011	Revaluation / * transfers	Additions / (deletions) *(adjustments)	At December 31, 2011	At January 1, 2011	Charge for the year / Revaluation / (deletions) *(adjustments)			At December 31, 2011	
<b>Rupees in '000</b>										
<b>Owned</b>										
<b>Land</b>										
- freehold	9,516,046	-	67,729	9,583,775	-	-	-	9,583,775	Nil	
- leasehold	7,361,872	-	44,223 (34,230)	7,371,865	-	-	-	7,371,865	Nil	
<b>Buildings on land:</b>										
- freehold	2,620,851	-	101,191 (36,000) * (69,000)	2,617,042	244,687	118,367	-	363,054	2,253,988	5% on book value
- leasehold	2,422,701	-	55,105 (4,111) * (2,808)	2,470,887	210,760	116,538 (25)	-	327,273	2,143,614	5% on book value
Furniture and fixtures	2,303,621	-	323,903 (70,226)	2,557,298	1,212,031	224,714 (15,345)	-	1,421,400	1,135,898	10% to 30% on book value, 20% on straight-line on new furnishing limit to executives and refurbishment of branches
Computer and peripheral equipment	2,150,706	-	276,406 (5,536)	2,421,576	1,717,622	292,581 (5,342)	-	2,004,861	416,715	33.33% on cost
Electrical and office equipment	2,590,362	-	247,512 (9,116)	2,828,758	1,611,074	223,102 (4,099)	-	1,830,077	998,681	20% on book value
Vehicles	994,356	-	260,964 (37,201)	1,218,119	526,804	159,939 (41,764)	-	644,979	573,140	20% on cost
	29,960,515	-	1,377,033 (196,420) * (71,808)	31,069,320	5,522,978	1,135,241 (66,575)	-	6,591,644	24,477,676	
<b>Assets held under finance lease</b>										
Vehicles	308,827	-	31,330 (22,342)	317,815	116,297	63,175 (4,485)	-	174,987	142,828	20% on cost
Office equipment	17,928	-	- (4,624)	13,304	11,111	425 (320)	-	11,216	2,088	20% on book value
<b>Assets given under Ijarah</b>										
	494,619	-	94,513 (13,330)	575,802	76,700	138,232 (11,538)	-	203,394	372,408	25-33% on cost
2011	30,781,889	-	1,502,876 (236,716) * (71,808)	31,976,241	5,727,086	1,337,073 (82,918)	-	6,981,241	24,995,000	

\* These represents transfer of non-banking assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 11.2.1 Property and equipment

	Cost / revalued amount			Accumulated depreciation			Book Value at December 31, 2010	Rate of depreciation		
	At January 1, 2010	Revaluation / * transfers	Additions / (deletions)	At December 31, 2010	At January 1, 2010	Charge for the year / (deletions)			Revaluation / (adjustments)	At December 31, 2010
Rupees in '000										
Owned										
Land										
- freehold	9,516,046	-	-	9,516,046	-	-	-	9,516,046	Nil	
- leasehold	7,297,134	-	64,738	7,361,872	-	-	-	7,361,872	Nil	
Buildings on land:										
- freehold	2,442,383	-	178,468	2,620,851	124,382	120,305	-	244,687	2,376,164	5% on book value
- leasehold	2,180,285	-	242,416	2,422,701	100,338	110,422	-	210,760	2,211,941	5% on book value
Furniture and fixtures	1,693,966	3,064 * 80,808	532,945 (7,162) -	2,303,621	1,028,248	173,747 (4,189) 14,225	- - -	1,212,031	1,091,590	10% to 30% on book value, 20% on straight-line on new furnishing limit to executives and refurbishment of branches
Computer and peripheral equipment	1,821,843	1,735 * 30,705	297,604 (1,181)	2,150,706	1,434,733	261,435 (2,198) 23,652	- - -	1,717,622	433,084	33.33% on cost
Electrical and office equipment	2,303,096	1,212 - * 17,933	348,460 (80,339) -	2,590,362	1,454,795	229,650 (76,927) 3,556	-	1,611,074	979,288	20% on book value
Vehicles	798,818	1,077 - * 26,697	233,463 (65,699) -	994,356	448,779	118,577 (49,363) 8,811	-	526,804	467,552	20% on cost
	28,053,571	7,088 - * 156,143	1,898,094 (154,381)	29,960,515	4,591,275	1,014,136 (132,677)	-	5,522,978	24,437,537	
Assets held under finance lease										
Vehicles	204,074	- 24,755	101,975 (21,977)	308,827	116,116 4,140	22,473 (26,432)	-	116,297	192,530	20% on cost
Office equipment	7,359	- 4,450	6,119 -	17,928	6,605 158	2,916 1,432	-	11,111	6,817	20% on book value
Assets given under Ijarah										
	239,977	-	350,000 (95,358)	494,619	96,553	65,969 (85,822)	-	76,700	417,919	25-33% on cost
2010	28,504,981	7,088 29,205	2,356,188 (271,716)	30,781,889	4,810,549 4,298	1,105,494 (243,499)	-	5,727,086	25,054,803	

\* Addition of assets on account of acquisition of NBP Fullerton Asset Management Limited (formerly known as National Fullerton Asset Management Limited)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 11.3 Intangible assets

	Cost as at January 1, 2011	Additions	Cost as at December 31, 2011	Accumulated amortization / impairment as at January 1, 2011	Amortization for the year	Impairment charge for the year (Note 11.6)	Accumulated amortization and impairment as at December 31, 2011	Book value as at December 31, 2011	Rate of amortization
----- Rupees in '000 -----									
Computer software	44,371	95,137	139,508	38,195	34,774	-	72,969	66,539	33.33 % on cost
Website	1,041	-	1,041	1,041	-	-	1,041	-	33.33 % on cost
Room and Membership Card	12,591	-	12,591	-	80	-	80	12,511	
Goodwill on acquisition of NAFA	655,146	-	655,146	92,593	-	-	92,593	562,553	
Others	2,601	-	2,601	2,601	-	-	2,601	-	20 % on cost
	<u>715,750</u>	<u>95,137</u>	<u>810,887</u>	<u>134,430</u>	<u>34,854</u>	<u>-</u>	<u>169,284</u>	<u>641,603</u>	

	Cost as at January 1, 2010	Additions	Cost as at December 31, 2010	Accumulated amortization / impairment as at January 1, 2010	Amortization for the year	Impairment charge for the year (Note 11.6)	Accumulated amortization and impairment as at December 31, 2010	Book value as at December 31, 2010	Rate of amortization
----- Rupees in '000 -----									
Computer software	41,997	2,374	44,371	25,342	12,853	-	38,195	6,176	33.33 % on cost
Website	1,041	-	1,041	1,041	-	-	1,041	-	33.33 % on cost
Room and Membership Card	12,591	-	12,591	-	-	-	-	12,591	
Goodwill on acquisition of NAFA	-	655,146	655,146	-	-	92,593	92,593	562,553	
Others	2,601	-	2,601	2,534	67	-	2,601	-	20 % on cost
	<u>58,230</u>	<u>657,520</u>	<u>715,750</u>	<u>28,917</u>	<u>12,920</u>	<u>92,593</u>	<u>134,430</u>	<u>581,320</u>	

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

	Rupees in '000
Land	
freehold	1,132,637
leasehold	871,228
Building	
freehold	578,233
leasehold	549,917



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

- 11.5** The Islamic Banking Branches of the Bank have entered into Ijarah transactions with customers during the year. The significant Ijarah transactions have been entered in respect of stationary engines and car. The rate of profit is 6 months KIBOR + 2.75% and 3 months KIBOR + 1.3% (2010: 6 months KIBOR + 2.0% to 2.75% and 3 months KIBOR + 1.3% to 2.5%).

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

	2011	2010
	Rupees in '000	
Not later than one year	161,773	145,098
Later than one year but not later than five years	261,082	489,385
	<u>422,855</u>	<u>634,483</u>

- 11.6** The recoverable amount of goodwill on acquisition of NAFA was tested for impairment based on value in use, in accordance with IAS-36. The value in use calculations are based on cash flow projections based on the budget and forecast approved by management for 2011. These are then extrapolated for a period of five years using a steady long term expected growth of 3% and terminal value is determined based on long term earnings multiple. The cash flows are discounted using a pre-tax discount rate of 20%.

## 11.7 Details of disposals of property and equipment

Details of property and equipment whose original cost or the book value exceeds Rupees one million or two hundred fifty thousand rupees respectively, whichever is lower are given below:

Particulars of property and equipment	Original cost	Book value	Sale proceeds	Gain/(loss) on disposal	Mode of Disposal	Particulars of Purchaser
Rupees in '000						
Motor Vehicle	1,269	952	952	-	As per service rules	Mr. Ayaz Ahmed, Ex-SVP
Motor Vehicle	1,096	514	514	-	As per service rules	Mr. Ashraf Khan, Ex-SVP
Motor Vehicle	1,269	909	909	-	As per service rules	Mr. Raja Asad Habib, Ex-SVP
Motor Vehicle	1,319	616	616	-	As per service rules	Mr. Fayyaz Rabbani, Ex-EVP
Motor Vehicle	915	397	397	-	As per service rules	Mr. Farhan Ahmed, Ex-SVP
Motor Vehicle	995	402	402	-	As per service rules	Mr. Mohammad Rafique, SVP
Motor Vehicle	1,859	806	806	-	As per service rules	Mr. N.B. Soomro, Ex-SEVP
Motor Vehicle	1,239	785	785	-	As per service rules	Mr. Mahmoodul Hasan, Ex-SVP
Motor Vehicle	1,269	840	1,269	429	As per service rules	Mr. Muhammad Nazir, Ex-SVP
Motor Vehicle	1,239	698	698	-	As per service rules	Mr. Gulrez Khan, Ex-SVP
Motor Vehicle	699	419	523	104	Auction	Mr. Mian Muhammad Nadeem
Motor Vehicle	1,092	-	813	813	Auction	Mr. Naseer Ahmed
Motor Vehicle	1,288	-	777	777	Auction	Mr. Noor Shah
Building Land leasehold	35,260	35,234	35,000	(234)	Auction	Various
Building Freehold land	36,000	36,000	36,000	-	Auction	Mr. Tasawar-ul-Haq
Building Leasehold land	1,490	1,490	1,490	-	Auction	Mr. Tasawar-ul-Haq
<b>Islamic Banking :</b>						
Ijarah Assets	1,108	111	111	-	Ijarah maturity	Hira Textiles Limited
Ijarah Assets	3,750	375	375	-	Ijarah maturity	Pacific Pharmaceuticals Limited
Ijarah Assets	1,271	199	199	-	Ijarah maturity	H.Sadar Ali Akhtar (Private) Limited
Ijarah Assets	7,200	720	720	-	Ijarah maturity	H.Sadar Ali Akhtar (Private) Limited
Other assets (having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000)	101,627	81,467	83,356	1,889		
	135,089	72,331	88,152	15,821		
<b>December 31, 2011</b>	<u>236,716</u>	<u>153,798</u>	<u>171,508</u>	<u>17,710</u>		
<b>December 31, 2010</b>	<u>271,716</u>	<u>28,217</u>	<u>63,185</u>	<u>34,968</u>		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 12. DEFERRED TAX ASSETS - net

	Note	2011 Rupees in '000	2010 Rupees in '000
<b>Deductible temporary difference on:</b>			
Provision for diminution in the value of investments		2,684,890	1,586,671
Provision against advances		6,424,530	6,189,551
Other provision		521,225	334,051
Charge against defined benefits plans		1,468,297	1,156,724
Unrealised loss on derivatives		-	942,204
Provision against off-balance sheet obligation		116,622	116,622
Others		37,587	-
		<u>11,253,151</u>	<u>10,325,823</u>
<b>Taxable temporary differences on:</b>			
Excess of accounting book value of leased assets over lease liabilities		(12,502)	(16,149)
Difference between accounting book value of operating fixed assets and tax base		(299,322)	(391,165)
Revaluation of securities	20.1	(1,814,915)	(1,750,726)
Revaluation of operating fixed assets	20.2	(1,153,328)	(1,213,555)
		<u>(3,280,067)</u>	<u>(3,371,595)</u>
Net Deferred tax asset		<u>7,973,084</u>	<u>6,954,228</u>

### 12.1 Movement in temporary differences during the year

	January 1, 2010	Acquisition during the year	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2010	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2011
	Rupees in '000							
<b>Deferred tax assets arising in respect of:</b>								
Provision for diminution in the value of investments	553,506	-	1,033,165	-	1,586,671	1,098,219	-	2,684,890
Provision against advances	4,720,840	-	1,468,711	-	6,189,551	234,979	-	6,424,530
Other provision	281,966	-	52,085	-	334,051	187,174	-	521,225
Charge against defined benefits plans	927,443	-	229,281	-	1,156,724	311,573	-	1,468,297
Unrealised loss / (gain) on derivatives	-	-	942,204	-	942,204	(942,204)	-	-
Provision against off-balance sheet obligations	116,622	-	-	-	116,622	-	-	116,622
Others	-	-	-	-	-	37,587	-	37,587
	<u>6,600,377</u>	-	<u>3,725,446</u>	-	<u>10,325,823</u>	<u>927,328</u>	-	<u>11,253,151</u>
<b>Less: Deferred tax (liabilities) arising in respect of:</b>								
Excess of accounting book value of leased assets over lease liabilities	(7,065)	-	(9,084)	-	(16,149)	3,647	-	(12,502)
Difference between accounting book value of operating fixed assets and tax base	(222,293)	-	(168,872)	-	(391,165)	91,843	-	(299,322)
Revaluation of securities	(2,028,859)	-	-	278,133	(1,750,726)	(64,189)	(1,814,915)	
Revaluation of operating fixed assets	(1,276,951)	-	63,396	-	(1,213,555)	60,227	-	(1,153,328)
Others	(750)	(6,338)	7,088	-	-	-	-	-
	<u>(3,535,918)</u>	<u>(6,338)</u>	<u>(107,472)</u>	<u>278,133</u>	<u>(3,371,595)</u>	<u>155,717</u>	<u>(64,189)</u>	<u>(3,280,067)</u>
Net deferred tax assets	<u>3,064,459</u>	<u>(6,338)</u>	<u>3,617,974</u>	<u>278,133</u>	<u>6,954,228</u>	<u>1,083,045</u>	<u>(64,189)</u>	<u>7,973,084</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. OTHER ASSETS	Note	2011 Rupees in '000	2010
Income / mark-up accrued in local currencies		19,797,793	18,707,775
Income / mark-up accrued in foreign currencies		760,809	734,511
Advances, deposits, advance rent and other prepayments	13.1	2,779,780	2,523,072
Advance taxation (payments less provisions)		6,070,402	1,288,916
Income tax refunds receivable		16,501,280	16,850,798
Compensation for delayed refund receivable	13.7	1,935,092	1,856,256
Receivable from GoP	13.2	5,648	5,648
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		372,854	405,657
Branch adjustment account - net		3,355,696	2,772,582
Unrealized gain on forward foreign exchange contracts		2,944,752	181,473
Receivable on account of swaps		2,725,638	-
Commission receivable		3,344,383	3,240,760
Stationery and stamps on hand		246,583	436,939
Non-banking assets acquired in satisfaction of claims	13.3	1,183,587	360,869
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.4	323,172	323,172
Receivable from Government under VHS scheme	13.5	418,599	418,599
Less: Provision		(418,599)	(418,599)
		-	-
Receivable from pension fund	34.1.2	4,050,405	3,522,884
Prize bonds in hand		296,133	260,403
Receivable for sale of shares		34,546	519,305
Others		3,033,343	3,190,828
		69,957,295	57,377,247
Less: Provision held against other assets			
Income / mark-up accrued in local currency / foreign currencies		296,729	327,081
Advances, deposits, advance rent and other prepayments		800,000	800,000
Stationery and stamps on hand		96,542	201,200
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.4	323,172	323,172
Others		1,775,569	1,503,670
	13.6	3,487,411	3,350,522
Other assets (net of provision)		66,469,884	54,026,725

13.1 This includes Rs. 800 million (2010: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.

13.2 Upon dissolution of CIRC and take over by the Bank with effect from September 22, 2006, the said amount represents receivable from GoP.

13.3 The market value of non-banking assets acquired in satisfaction of claims does not materially differ as most of properties have been acquired in 2011.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 13.6 Provision against other assets

	Note	2011 Rupees in '000	2010 Rupees in '000
Opening balance		3,350,522	3,089,996
Charge for the year		339,884	260,526
Transfer out		(46,477)	-
Reversals / write offs		(156,518)	-
Closing balance	13.6.1	<u>3,487,411</u>	<u>3,350,522</u>

13.6.1 This includes Rs. 800 million (2010: Rs. 800 million) as provision against Pre-IPO placement of Term Finance Certificates.

## 13.7 Movement in Compensation for delayed refund

	Note	2011 Rupees in '000	2010 Rupees in '000
Opening balance			
Accrued during the year		1,856,256	9,766
Realized during the year		2,280,430	1,846,490
Closing balance		<u>(2,201,594)</u>	-
		<u>1,935,092</u>	<u>1,856,256</u>

## 14. BILLS PAYABLE

In Pakistan	9,001,765	7,777,211
Outside Pakistan	102,945	229,420
	<u>9,104,710</u>	<u>8,006,631</u>

## 15. BORROWINGS

In Pakistan	25,696,333	19,265,569
Outside Pakistan	675,342	391,638
	<u>26,371,675</u>	<u>19,657,207</u>

### 15.1 Particulars of borrowings with respect to currencies

In local currency	25,696,333	19,265,569
In foreign currencies	675,342	391,638
	<u>26,371,675</u>	<u>19,657,207</u>

### 15.2 Details of borrowings

#### Secured

Borrowings from State Bank of Pakistan:

Under Export Refinance Scheme	8,747,072	6,213,967
Under Long-Term Financing under Export Oriented Project (LTF-EOP)	568,868	1,412,760
Under Long-Term Financing Facility (LTFF)	<u>2,045,232</u>	<u>1,465,900</u>

	11,361,172	9,092,627
Repurchase agreement borrowings	<u>11,011,456</u>	<u>8,855,758</u>
	<u>22,372,628</u>	<u>17,948,385</u>

#### Unsecured

Call borrowings	3,553,853	1,100,948
Overdrawn nostro accounts	374,394	537,074
Others	70,800	70,800
	<u>3,999,047</u>	<u>1,708,822</u>
	<u>26,371,675</u>	<u>19,657,207</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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

- The Bank has entered into agreements with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carries mark-up ranging from 5% to 10% (2010: 8% to 9.5%).
- Call borrowings carry interest ranging from 11.25% to 13.10% per annum (2010: 11.00% to 13.90% per annum) having maturities ranging from January 03, 2012 to March 29, 2012.
- Repurchase agreement borrowings carry mark-up at the rates ranging from 11.62% to 11.64% per annum (2010: 11.55% to 14.00% per annum) having maturity on January 06, 2012.
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2010: 10% per annum).

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

**16. DEPOSITS AND OTHER ACCOUNTS**

Customers	Note	2011 Rupees in '000	2010 Rupees in '000
Fixed deposits		257,518,704	218,701,230
Savings deposits		232,868,411	266,342,975
Current accounts - remunerative		80,905,162	68,525,875
Current accounts - non-remunerative		214,069,549	194,393,878
		785,361,826	747,963,958
<b>Financial Institutions</b>			
Remunerative deposits		65,157,053	30,939,064
Non - remunerative deposits		76,896,253	53,231,032
		142,053,306	84,170,096
	16.1	927,415,132	832,134,054
<b>16.1 Particulars of deposits</b>			
In local currency		761,976,513	688,730,713
In foreign currencies [including deposits of foreign branches of Rs. 119,925 million (2010: Rs. 97,996 million)]		165,438,619	143,403,341
		927,415,132	832,134,054

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011			2010		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	<b>Rupees in '000</b>					
Not later than one year	68,181	11,978	56,203	66,572	14,957	51,615
Later than one year and but not later than five years	39,535	2,999	36,536	81,069	9,271	71,798
	<u>107,716</u>	<u>14,977</u>	<u>92,739</u>	<u>147,641</u>	<u>24,228</u>	<u>123,413</u>

The Group has entered into lease agreements with First National Bank Modaraba and Orix Leasing Pakistan Limited for lease of vehicles. Lease rentals are payable in quarterly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 0.9% to KIBOR + 5% per annum (2010: KIBOR + 0.9% to KIBOR + 4.00% per annum). At the end of lease term, the Bank has option to acquire the assets, subject to adjustment of security deposits.

## 18. OTHER LIABILITIES

	Note	2011 Rupees in '000	2010 Rupees in '000
Mark-up / return / interest payable in local currency		14,660,584	14,522,712
Mark-up / return / interest payable in foreign currencies		267,552	502,481
Unearned commission and income on bills discounted		347,791	94,921
Accrued expenses		2,093,250	2,208,380
Advance payments		177,443	22,035
Unclaimed dividends		59,514	45,761
Derivatives:			
Loss on forward foreign exchange contracts		1,002,094	629,295
Loss on cross currency swaps	22.3	1,609,555	2,331,973
Provision against off balance sheet obligations	18.1	454,026	454,026
Employee benefits:			
Post retirement medical benefits	34.1.3	4,223,434	3,732,073
Compensated absences	34.2.1	3,148,005	2,572,878
Benevolent fund	34.1.4	1,156,499	895,661
Gratuity scheme	34.1.5	234,340	173,732
Staff welfare fund		371,257	371,257
Liabilities relating to:			
Payable on account of cross currency swaps		4,014,936	-
Barter trade agreements		12,392,801	11,843,111
Special separation package		78,422	78,422
Payable to GoP for acquisition of assets from CIRC		232,460	232,460
Payable to brokers		-	345,922
Others [(including provision of Rs. 756 million (2010: Rs. 506 million) for contingencies)]		8,177,472	5,741,230
		<u>54,701,435</u>	<u>46,798,330</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 18.1 Provision against off balance sheet obligations

	Note	2011 Rupees in '000	2010 Rupees in '000
Opening balance		454,026	450,061
Charge for the year		-	3,965
Closing balance	18.1.1	<u>454,026</u>	<u>454,026</u>

18.1.1 This represents provision against non-funded exposure of borrowers where the Bank considers that the borrower will not be able to meet its contractual obligations at the time of amount becoming due.

## 19. SHARE CAPITAL

### 19.1 Authorized

2010 Number of shares	2011 Number of shares		2011 Rupees in '000	2010 Rupees in '000
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10 each	<u>25,000,000</u>	<u>25,000,000</u>

### 19.2 Issued, subscribed and paid-up

2010	2011		2011	2010
140,388,000	140,388,000	Ordinary shares of Rs.10 each		
		Fully paid in cash	1,403,880	1,403,880
<u>1,205,074,900</u>	<u>1,541,440,600</u>	Issued as fully paid bonus shares	<u>15,414,406</u>	<u>12,050,749</u>
<u>1,345,462,900</u>	<u>1,681,828,600</u>		<u>16,818,286</u>	<u>13,454,629</u>

The Federal Government and the SBP held about 75.60 % (2010: 75.60%) shares of the Bank as at the year ended December 31, 2011.

### 19.3 Shares of the Bank held by its associates

	2011 Rupees in '000	2010 Rupees in '000
Following shares were held by the associates of the Bank as of year end:		
NAFA Multi Asset Fund	309,522	225,018
NAFA Stock Fund	303,274	506,831
	<u>612,796</u>	<u>731,849</u>

## 20. SURPLUS ON REVALUATION OF ASSETS - net

	Note	2011 Rupees in '000	2010 Rupees in '000
Available-for-sale securities	20.1	4,967,574	7,507,831
Fixed assets	20.2	17,594,441	17,605,260
		<u>22,562,015</u>	<u>25,113,091</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

20.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax	Note	2011 Rupees in '000	2010 Rupees in '000
Federal Government securities		481,362	(1,232,965)
Term Finance Certificates and Sukuks		(71,285)	(215,922)
Shares and mutual funds		(347,306)	2,713,159
GoP Foreign Currency Bonds		(119,692)	720,733
Foreign Currency Debt. Securities		(121,529)	(11,264)
NI(U)T LoC Units		-	511,892
NI(U)T Non-LoC Units		(21,809)	101,420
NIT Equity Market Opportunity Fund Units		402,853	565,873
Investment outside Pakistan		6,651,226	6,129,676
		6,853,820	9,282,602
Deferred tax liability recognized	12	(1,814,915)	(1,750,726)
Share of revaluation loss on securities of associates		(71,331)	(24,045)
		<u>4,967,574</u>	<u>7,507,831</u>
<b>20.2 Surplus on revaluation of fixed assets - net of tax</b>			
Surplus on revaluation on January 1,		18,393,306	18,567,352
Surplus on revaluation of the Bank's properties during the year	11.4	-	7,088
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(111,850)	(117,738)
Related deferred tax liability		(60,227)	(63,396)
		<u>(172,077)</u>	<u>(181,134)</u>
		18,221,229	18,393,306
Less: Related deferred tax liability on:			
Revaluation as at January 1,		1,213,555	1,276,951
Incremental depreciation charged during the year transferred to profit and loss account		(60,227)	(63,396)
	12	1,153,328	1,213,555
Share of surplus on revaluation of fixed assets of joint venture		526,540	425,509
Surplus on revaluation on December 31,		<u>17,594,441</u>	<u>17,605,260</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 Direct credit substitutes

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

	2011	2010
	Rupees in '000	
- Government	3,677,940	4,513,887
- Financial institutions	5,361,703	7,239,823
- Others	<u>21,588,873</u>	<u>21,223,626</u>
	<u>30,628,516</u>	<u>32,977,336</u>

### 21.2 Transaction-related contingent liabilities

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

	2011	2010
	Rupees in '000	
- Government	14,457,548	19,873,392
- Financial institutions	9,825,641	106,771
- Others	<u>13,282,900</u>	<u>15,527,147</u>
	<u>37,566,089</u>	<u>35,507,310</u>

### 21.3 Trade-related contingent liabilities

	2011	2010
	Rupees in '000	
Letters of credit issued in favour of:	47,591,186	46,299,854
- Government	591	107,289
- Financial institutions	<u>121,860,942</u>	<u>114,746,125</u>
- Others	<u>169,452,719</u>	<u>161,153,268</u>

### 21.3 Other contingencies

- 21.4.1 Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 183 million (2010: Rs.178 million), claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2010: Rs. 965 million) and claims relating to employees, the amount involved can not be ascertained reasonably].

<u>8,704,944</u>	<u>8,243,510</u>
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 21.4.2 Taxation

The income tax returns of the Bank for global operations and for Azad Jammu Kashmir have been filed under section 120 of the Income Tax Ordinance, 2001 upto the tax year 2011 (accounting year ended December 31, 2010) and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2010 (accounting year ended December 31, 2009).

During the year, taxation authorities in connection with monitoring of withholding taxes have passed orders under section 161/205 of the Income Tax Ordinance, 2001 for the tax years 2009, 2010 and 2011 raising demand of Rs. 2.3 billion subject to rectification on production of additional challans. The additional challans have been collected from the branches and submitted to the income tax authorities for verification by them. An appeal has also been filed before the Appellate Tribunal of Inland Revenue on the grounds that monitoring default could not be created without identification of the specific parties to whom withholding tax was deductible.

In addition to above, other matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 5,453 million (2010: Rs. 3,413 million). However, management has made a provision of Rs. 260 million against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favourable outcome upon adjudication.

## 21.4.3 Barter Trade Agreements

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

## 21.4.4 Golden Handshake (GHS)

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

21.5 Commitments in respect of forward exchange contracts	2011	2010
	Rupees in '000	
Purchase	160,587,401	98,499,566
Sale	106,748,426	60,773,315
<b>21.6 Commitments in respect of trading in government securities</b>		
Purchase (reverse repo)	2,000,000	-
Sale	-	50,000
<b>21.7 Commitments for the acquisition of operating fixed assets</b>	1,643,221	2,375,461
<b>21.8 Other commitments</b>		
Cross currency swap	3,410,259	4,956,420
Professional services to be received	147,669	166,126

## 22 DERIVATIVE INSTRUMENTS

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

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

Accounting policies in respect of derivative financial instruments are mentioned in note 5.4.

At December 31, 2011 and 2010 only cross currency swaps were outstanding and their analysis is as follows:

### 22.2 Product Analysis

Counterparties	2011		2010	
	Cross Currency Swaps		Cross Currency Swaps	
With other entities for	No. of Contracts	Notional Principal Rupees in'000	No. of Contracts	Notional Principal Rupees in'000
Hedging	-	-	-	-
Market Making	10	3,410,259	10	4,956,420
<b>Total</b>				
Hedging	-	-	-	-
Market Making	10	3,410,259	10	4,956,420
	<u>10</u>	<u>3,410,259</u>	<u>10</u>	<u>4,956,420</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 22.3 Maturity Analysis

### Cross Currency Swaps

Remaining Maturity	No. of Contracts	Notional Principal	2011		
			Mark to Market		
			Negative	Positive	Net
----- Rupees in '000 -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	10	3,410,259	5,019,814	3,410,259	(1,609,555)
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

Remaining Maturity	No. of Contracts	Notional Principal	2010		
			Mark to Market		
			Negative	Positive	Net
----- Rupees in '000 -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	10	4,956,420	8,395,813	3,338,202	(1,042,675)
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

## 23. MARK-UP / RETURN / INTEREST EARNED

	2011	2010
	Rupees in '000	
On loans and advances to:		
Customers	62,269,651	57,763,119
Financial institutions	1,634,302	1,371,490
	<u>63,903,953</u>	<u>59,134,609</u>
On investments in:		
Held-for-trading securities	1,124,170	792,985
Available-for-sale securities	26,593,814	24,615,208
Held-to-maturity securities	1,208,998	913,191
	<u>28,926,982</u>	<u>26,321,384</u>
On deposits with financial institutions	609,159	608,237
On securities purchased under resale agreements	2,249,647	2,617,151
	<u>95,689,741</u>	<u>88,681,381</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 24. MARK-UP / RETURN / INTEREST EXPENSED

	2011	2010
	Rupees in '000	
Deposits	45,702,145	43,112,819
Securities sold under repurchase agreements	1,501,188	1,094,376
Short-term borrowings	1,313,184	962,549
	<u>48,516,517</u>	<u>45,169,744</u>

## 25. INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 5,558 million (2010: Rs. 4,376 million) on account of interest income on foreign currency swap transactions.

## 26. GAIN ON SALE AND REDEMPTION OF SECURITIES - net

	Note	2011	2010
		Rupees in '000	
<b>Federal government securities</b>			
Market Treasury Bills		269,822	36,824
Pakistan Investment Bonds		(78,059)	25,885
GoP Ijara Sukuks		4,500	-
		<u>196,263</u>	<u>62,709</u>
Gain on Redemption of NIT Units-LOC Holders' Fund	9.5.1	641,081	294,424
Gain on NIT - MOF		44,715	123,728
Shares and Mutual Funds		1,508,152	1,906,286
Gain on Sale of Foreign Government / debt securities		-	125,216
		<u>2,390,211</u>	<u>2,512,363</u>

## 27. OTHER INCOME

	Note	2011	2010
		Rupees in '000	
Rent on property		33,652	40,840
Gain on sale of property and equipment	11.7	17,710	34,968
Others	27.1	2,491,777	2,108,083
		<u>2,543,139</u>	<u>2,183,891</u>

27.1 This includes Rs. 2,280 million (2010: Rs. 1,846) for compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

28. ADMINISTRATIVE EXPENSES	Note	2011	2010
		Rupees in '000	
Salaries and allowances		19,272,146	16,850,368
Charge for defined benefit plans		2,274,525	1,666,466
Non-executive directors' fee, allowances and other expenses	35	29,154	26,903
Rent, taxes, insurance, electricity, etc.	28.1	1,855,564	1,627,039
Legal and professional charges		213,000	349,364
Communications		681,036	690,565
Repairs and maintenance		681,320	503,525
Financial charges on leased assets		30,335	21,766
Stationery and printing		689,450	552,794
Advertisement, sponsorship and publicity		282,635	141,553
Donations	28.2	96,610	59,611
Contributions for other Corporate and Social Responsibility	28.3	83,140	61,980
Auditors' remuneration	28.4	100,872	116,364
Depreciation	11.2	1,337,073	1,105,494
Amortization	11.3	34,854	12,920
Conveyance		151,373	128,508
Entertainment		63,124	52,091
Travelling		264,410	241,972
Security services		1,168,334	1,094,480
Outsourcing		455,123	366,241
Others		996,737	1,062,041
		<u>30,760,815</u>	<u>26,732,045</u>

28.1 This includes Rs. 2.254 million (2010: Rs. 3.381 million) insurance premium against directors' liability insurance.

28.2 Donations include following amounts exceeding Rs. 0.1 million

	2011	2010
	Rupees in '000	
Thalasemia Care Centre	1,600	-
Medical Aid Foundation	500	-
Mery Adelaide Leprosy Centre	2,000	-
Caravan of Life Trust Pakistan Ltd.	1,000	-
Children Welfare Society	500	-
Karachi School of Business Leadership	20,000	-
Institute of Business Administration (IBA)	25,000	-
Afzaal Memorial Thalasemia	1,000	1,368
Prime Minister Flood Relief Fund	45,000	50,000
SOS Children Village, Multan	-	3,000
Memon Medical Institute	-	1,200
Sheikh Zayed Hospital	-	250
Karachi Press Club Library	-	1,517
Nighaban Welfare Association	-	100
Islamabad Police	-	100
	<u>96,600</u>	<u>57,535</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

<b>28.3 Contributions for Corporate &amp; Social Responsibilities include following amounts exceeding Rs. 0.1 million</b>	<b>2011</b>	<b>2010</b>
	<b>Rupees in '000</b>	
Flood Relief 2011 /2010 (Affectees)	63,305	61,980
Construction of rural clean water supply & sewerage system model village Hamid Pur Multan	10,000	-
Medicines / eatable items purchased & distributed to affectees of rain Dist. of Badin & Mirpurkhas	5,110	-
Sun shade and uplifting of pedestrian bridge at Larkana	4,725	-
	83,140	61,980

None of the directors / executives or their spouses have any interest in the donees, except Mr. Syed Ali Raza (Chairman) and Mr. Tariq Kirmani (director) who are the member of the Board of Directors of Institute of Business Administration and the member of the Board of Governors' of Marie Adelaide Leprosy Centre respectively.

**28.4 Auditors' remuneration**

	KPMG Taseer Hadi & Co.	Anjum Asim Shahid Rahman	2011 Total	2010 Total
	----- Rupees in '000 -----			
Audit fee	5,660	5,660	11,320	11,320
Review of interim financial statements	1,980	1,980	3,960	3,960
Fee for audit of domestic branches	4,600	4,600	9,200	9,200
Fee for taxation, special certifications and sundry advisory services	578	2,942	3,520	37,085
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	62,838	48,715
Fee for audit of subsidiaries			5,103	1,450
Out-of-pocket expenses	2,520	2,411	4,931	4,634
	15,338	17,593	100,872	116,364

**29. OTHER CHARGES**

	<b>2011</b>	<b>2010</b>
	<b>Rupees in '000</b>	
Penalties imposed by the SBP	137,852	118,887
	137,852	118,887

**30. TAXATION**

		<b>2011</b>	<b>2010</b>
		<b>Rupees in '000</b>	
For the year			
Current	30.1	9,229,882	9,871,640
Deferred		(1,083,045)	(2,049,600)
		8,146,837	7,822,040
For prior year			
Current		260,000	630,216
Deferred		-	(1,568,374)
		260,000	(938,158)
	30.2	8,406,837	6,883,882

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

30.1 Current taxation includes Rs. 605 million (2010: Rs. 551 million) of overseas branches.

30.2 Relationship between tax expense and accounting profit

	2011 Rupees in '000	2010 Rupees in '000
Accounting profit before tax	26,116,002	24,622,287
Income tax at statutory rate @ 35% (2010: 35%)	9,140,601	8,617,800
Increase / (decrease) in taxes resulting from:		
Inadmissible differences	48,248	51,205
Income taxed at reduced rate	(1,123,506)	(858,965)
Prior year adjustable timing differences	-	(1,568,374)
Overseas taxation	81,494	12,000
Prior year tax effects	260,000	630,216
Tax charge for current and prior years	8,406,837	6,883,882

31. BASIC AND DILUTED EARNINGS PER SHARE

		2011	2010
Profit after tax for the year	Rupees in '000	17,711,753	17,809,304
Weighted average number of ordinary shares	Numbers in '000	1,681,829	1,681,829
Basic earnings per share	Rupees	10.53	10.59

Basic and diluted earnings per share are same.

31.1 Earnings per share for the year 2010 has been restated for the effect of bonus shares issued.

32. CASH AND CASH EQUIVALENTS

	Note	2011 Rupees in '000	2010 Rupees in '000
Cash and balances with treasury banks	6	131,843,291	115,657,025
Balances with other banks	7	28,069,897	30,743,368
Overdrawn nostros	15.2	(374,394)	(537,074)
		159,538,794	145,863,319

33. STAFF STRENGTH

	2011 Numbers	2010 Numbers
Permanent	14,413	15,030
Temporary / on contractual basis	2,511	1,494
Total Staff Strength	16,924	16,524

33.1 In addition to the above, the Bank is utilizing the services of other companies for outsourcing purposes including security staff and the number of persons deployed by such companies as at year end are 7,961 (2010: 7,337).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 34. EMPLOYEE BENEFITS

### 34.1 Defined benefit plans

#### 34.1.1 General description

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

#### Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2011 of pension fund, post retirement medical benefits, benevolent fund and gratuity scheme are as follows:

	2011	2010
Salary increase rate	13% per annum	14% per annum
Discount rate	13% per annum	14% per annum
Expected rate of return on plan assets	13% per annum	14% per annum
Pension indexation rate	10% per annum	10% per annum
Rate of inflation in the cost of medical benefits	10% per annum	10% per annum
Exposure inflation rate	3% per annum	3% per annum
Number of employees covered under retirement benefit plan	14,481	14,656

#### 34.1.2 Reconciliation of recoverable from pension fund

	Note	2011 Rupees in '000	2010 Rupees in '000
Present value of defined benefit obligations		28,538,893	21,761,425
Fair value of plan assets		(25,026,571)	(22,382,345)
Net actuarial losses not recognized		(4,237,006)	(2,197,457)
Past service cost - non vested		(3,325,721)	(704,507)
	13	<u>(4,050,405)</u>	<u>(3,522,884)</u>

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

#### Movement in recoverable from pension fund

	2011 Rupees in '000	2010 Rupees in '000
Opening net asset	(3,522,884)	(3,666,344)
Charge for the year	470,360	695,262
Contribution to the fund made during the year	<u>(997,881)</u>	<u>(551,802)</u>
	<u>(4,050,405)</u>	<u>(3,522,884)</u>

#### Charge for pension fund

	2011 Rupees in '000	2010 Rupees in '000
Current service cost	548,862	581,304
Interest cost	2,948,199	2,733,227
Expected return on plan assets	(3,104,980)	(2,769,422)
Actuarial gains recognized	-	71,874
Past service cost-vested	<u>78,279</u>	<u>78,279</u>
	<u>470,360</u>	<u>695,262</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

<b>Movement of present value of defined benefit obligation</b>	<b>2011</b>	<b>2010</b>
	<b>Rupees in '000</b>	
Opening present value of defined benefit obligation	21,761,425	19,523,049
Current service cost	548,862	581,304
Interest cost	2,948,199	2,733,227
Benefit paid	(1,405,716)	(923,087)
Past service cost-non vested	2,699,492	-
Actuarial loss / (gain) on obligation	1,986,631	(153,068)
Closing present value of defined benefit obligation	<u>28,538,893</u>	<u>21,761,425</u>
 <b>Movement in fair value of plan assets</b>		
Opening fair value of plan assets	22,382,345	19,781,585
Expected return on plan assets	3,104,980	2,769,422
Contributions	997,881	551,801
Benefits paid	(1,405,716)	(923,087)
Actuarial (loss) / gain on assets	(52,919)	202,624
Closing fair value of plan assets	<u>25,026,571</u>	<u>22,382,345</u>
 <b>Actual return on plan assets</b>	 <u>3,052,061</u>	 <u>2,972,045</u>

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

	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
Bonds	78.10	84.44
Equities	20.35	11.71
Cash and net current assets	1.55	3.85

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>Rupees</b>				
Present value of defined benefit obligations	28,538,893	21,761,425	19,523,049	15,011,555	12,704,049
Fair value of plan assets	(25,026,571)	(22,382,345)	(19,781,585)	(17,738,992)	(19,503,391)
Net actuarial (losses) / gains not recognized	(4,237,006)	(2,197,457)	(2,625,022)	(1,587,558)	3,122,997
Past service cost - Non vested	(3,325,721)	(704,507)	(782,786)	(181,948)	-
	<u>(4,050,405)</u>	<u>(3,522,884)</u>	<u>(3,666,344)</u>	<u>(4,496,943)</u>	<u>(3,676,345)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

### 34.1.3 Reconciliation of payable to medical benefit plan

	Note	2011 Rupees in '000	2010 Rupees in '000
Present value of defined benefit obligations		5,362,361	4,019,855
Net actuarial losses not recognized		(1,138,927)	(287,782)
	13	<u>4,223,434</u>	<u>3,732,073</u>
<b>Movement in net liability recognized</b>			
Opening net liability		3,732,073	3,407,225
Charge for the year		688,585	589,042
Benefits paid		(197,224)	(264,194)
		<u>4,223,434</u>	<u>3,732,073</u>
<b>Charge for medical benefit plan</b>			
Current service cost		139,611	108,454
Interest cost		548,974	480,588
		<u>688,585</u>	<u>589,042</u>
<b>Movement of present value of defined benefit obligation</b>			
		2011 Rupees in '000	2010 Rupees in '000
Opening present value of defined benefit obligation		4,019,855	3,432,771
Current service cost		139,611	108,454
Interest cost		548,974	480,588
Benefit paid		(197,225)	(264,195)
Actuarial loss on obligation		851,146	262,237
Closing present value of defined benefit obligation		<u>5,362,361</u>	<u>4,019,855</u>

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

	2011	2010	2009	2008	2007
	----- Rupees -----				
Present value of defined benefit obligations	5,362,361	4,019,855	3,432,771	2,909,308	2,726,617
Net actuarial (losses) / gains not recognized	(1,138,927)	(287,782)	(25,546)	37,246	(144,141)
	<u>4,223,434</u>	<u>3,732,073</u>	<u>3,407,225</u>	<u>2,946,554</u>	<u>2,582,476</u>

#### Effect of 1% movement in assumed medical cost trend rate

	2011		2010	
	Increase	Decrease	Increase	Decrease
	----- Rupees -----			
Present value of defined benefit obligations	626,598	(532,708)	404,578	(364,652)
Net actuarial (losses) / gains not recognized	106,659	(90,564)	70,093	(59,996)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

34.1.4 Reconciliation of payable to benevolent fund	Note	2011 Rupees in '000	2010
Present value of defined benefit obligations		1,486,439	895,661
Actuarial gain on obligation not recognised		140,775	-
Past service cost - non vested		(470,715)	-
		<u>1,156,499</u>	<u>895,661</u>
<b>Movement in net liability recognized for benevolent fund</b>			
Opening net liability		895,661	838,123
Charge for the year		278,646	79,725
Benefits paid		(17,808)	(22,187)
	18	<u>1,156,499</u>	<u>895,661</u>
<b>Charge for benevolent fund</b>			
Current service cost		17,444	14,392
Interest cost		124,146	117,337
Past service cost - vested		137,056	-
Actuarial gains recognized		-	(52,004)
		<u>278,646</u>	<u>79,725</u>
<b>Movement of present value of defined benefit obligation</b>			
Opening present value of defined benefit obligation		895,661	838,123
Current service cost		17,444	14,392
Interest cost		124,146	117,337
Benefit paid		(17,808)	(22,187)
Past service cost - vested		137,056	-
Past service cost - non vested		470,715	-
Actuarial (gain) on obligation		(140,775)	(52,004)
Closing present value of defined benefit obligation		<u>1,486,439</u>	<u>895,661</u>

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

	2011	2010	2009	2008	2007
	----- Rupees -----				
Opening net liability	895,661	838,123	765,748	759,957	802,937
Net charge for the year	278,646	79,725	114,022	53,256	22,756
Benefits paid	(17,808)	(22,187)	(41,647)	(47,465)	(65,736)
	<u>1,156,499</u>	<u>895,661</u>	<u>838,123</u>	<u>765,748</u>	<u>759,957</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

34.1.5 Reconciliation of payable to gratuity benefit plan	Note	2011 Rupees in '000	2010
Present value of defined benefit obligations		367,576	187,884
Net actuarial losses not recognized		(27,413)	(14,152)
Past service cost - non vested		(105,823)	-
	18	<u>234,340</u>	<u>173,732</u>
<b>Movement in net liability recognized</b>			
Opening liability		173,732	123,789
Charge for the year		78,504	52,553
Benefits paid		(17,896)	(2,610)
		<u>234,340</u>	<u>173,732</u>
<b>Charge for gratuity benefit plan</b>			
Current service cost		53,453	33,484
Interest cost		25,051	19,069
		<u>78,504</u>	<u>52,553</u>
<b>Movement of present value of defined benefit obligation</b>			
Opening present value of defined benefit obligation		187,884	136,211
Current service cost		53,453	33,484
Interest cost		25,051	19,069
Benefit paid		(17,896)	(2,610)
Past service cost - non vested		105,823	-
Actuarial loss on obligation		13,261	1,730
Closing present value of defined benefit obligation		<u>367,576</u>	<u>187,884</u>

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

	2011	2010	2009	2008	2007
	----- Rupees -----				
Present value of defined benefit obligations	367,576	187,884	136,211	116,216	82,098
Net actuarial gains not recognized	(27,413)	(14,152)	(12,422)	(9,946)	(4,309)
Past service cost - Non vested	(105,823)	-	-	-	(11,081)
	<u>234,340</u>	<u>173,732</u>	<u>123,789</u>	<u>106,270</u>	<u>66,708</u>

34.2 Other employee benefits	Note	2011 Rupees in '000	2010
<b>34.2.1 Movement in net liability recognized for compensated absences</b>			
Opening net liability		2,572,878	2,397,308
Charge for the year		740,270	229,971
Benefits paid during the year		(165,143)	(54,401)
	18	<u>3,148,005</u>	<u>2,572,878</u>

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

	2011	2010	2009	2008	2007
	----- Rupees -----				
Opening net liability	2,572,878	2,397,308	2,246,752	1,662,930	1,639,708
Net charge for the year	575,127	175,570	150,556	583,822	23,222
	<u>3,148,005</u>	<u>2,572,878</u>	<u>2,397,308</u>	<u>2,246,752</u>	<u>1,662,930</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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

	2012			
	Pension Funds	Benevolent Scheme	Medical Scheme	Gratuity Scheme
	Rupees			
Contributions to be paid	1,759,294	286,996	974,824	141,288

### 35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	Rupees					
Fees	-	-	29,154	26,903	-	-
Managerial remuneration	14,708	11,760	-	-	1,250,826	672,313
Charge for defined benefit plan	1,745	-	-	-	176,025	90,761
Rent and house maintenance	6,589	4,539	-	-	542,628	346,189
Utilities	1,851	2,680	-	-	158,259	100,834
Medical	71	101	-	-	156,847	138,597
Conveyance	608	-	-	-	386,561	211,726
Leave fare assistance	443	12,456	-	-	-	-
Bonus and others	51,512	38,109	-	-	645,822	443,494
	<u>77,527</u>	<u>69,645</u>	<u>29,154</u>	<u>26,903</u>	<u>3,316,968</u>	<u>2,003,914</u>
	Number					
Number of persons	2	1	4	6	1232	796

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

### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 37. Segment Details with respect to Business Activities

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

	Corporat Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Rupees in '000									
<b>2011</b>									
Total income	554,927	1,826,039	6,030,707	51,917,854	1,802,687	4,429,589	299,737	66,104	66,927,644
Inter segment revenue	-	(764,606)	13,134,219	(12,369,613)	-	-	-	-	-
Total expenses	17,318	152,815	15,234,998	20,145,995	1,352,241	3,503,647	346,783	57,845	40,811,642
Net income	537,609	908,618	3,929,928	19,402,246	450,446	925,942	(47,046)	8,259	26,116,002
Segment assets (Gross)	-	13,672,883	169,320,927	952,448,847	-	17,201,680	503,920	331,843	1,153,480,100
Segment non-performing loans	-	-	4,798,458	83,526,139	-	-	-	-	88,324,597
Segment provision required	-	-	5,083,567	62,395,871	-	-	-	-	67,479,438
Segment liabilities (Gross)	-	-	251,304,294	753,347,180	-	12,791,575	188,132	54,510	1,017,685,691
Segment return on net assets (ROA) (%)	0.00%	6.65%	2.46%	2.41%	0.00%	5.38%	-9.34%	2.49%	2.62%
Segment cost of funds (%)	0.00%	0.00%	4.98%	6.38%	0.00%	0.00%	0.00%	0.00%	5.98%
<b>2010</b>									
Total income	347,119	4,007,212	5,468,514	45,228,016	2,287,441	4,233,773	20,669	69,776	61,662,520
Inter segment revenue	-	(1,267,561)	12,778,269	(11,510,708)	-	-	-	-	-
Total expenses	2,074	564,479	13,736,239	18,602,274	1,254,454	2,804,162	14,828	61,723	37,040,233
Net income	345,045	2,175,172	4,510,544	15,115,034	1,032,987	1,429,611	5,841	8,053	24,622,287
Segment assets (Gross)	-	8,988,040	145,766,096	868,756,836	-	13,957,125	191,310	359,060	1,038,018,467
Segment non-performing loans	-	-	6,618,312	80,253,041	-	-	-	-	86,871,353
Segment provision required	-	-	5,564,909	55,678,714	-	-	-	-	61,243,623
Segment liabilities (Gross)	-	59,633	222,764,481	683,764,371	-	-	48,016	83,134	906,719,635
Segment return on net assets (ROA)(%)	0.00%	24.20%	3.38%	2.06%	0.00%	10.24%	3.05%	2.24%	2.59%
Segment cost of funds (%)	0.00%	0.00%	4.39%	5.93%	0.00%	0.00%	0.00%	0.00%	5.80%

### 37.1 Segment reporting

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

#### 37.1.1 Business segments

##### Corporate finance

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

##### Trading and sales

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

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

##### Retail banking

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **Commercial banking**

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

## **Payment and settlement**

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

## **Agency services**

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

## **Assets management**

It includes asset management and investment advisory services.

## **Retail brokerage**

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

## **38. TRUST ACTIVITIES**

### **38.1 National Investment Trust (NIT)**

Under a trust deed, the Bank provides services, as a trustee to NIT and is performing functions of sale / purchase of NIT units, safe custody and maintaining unit holders accounts. The Bank is keeping approximately 1,129 million (2010: 1,010 million) shares with market value of Rs. 31,908 million (2010: Rs. 35,500 million) in safe custody / Central Depository Company of Pakistan on behalf of NIT.

### **38.2 Long-Term Credit Fund (LTCF)**

Consequent upon the NDFC's amalgamation, the Bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the Bank and amounted to Rs. 57,724 million on December 31, 2011 (2010: Rs. 58,885 million).

### **38.3 Endowment Fund**

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

Students Loan Scheme is being administered by a high powered committee headed by the Deputy Governor, the SBP and the Presidents of the Bank, Habib Bank Limited, United Bank Limited, MCB Bank Limited, Allied Bank Limited and the Deputy Secretary, Ministry of Finance as member. The SBP has assigned the Bank to operate the scheme.

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

The amount of the endowment fund in investments stands at Rs. 649 million as at December 31, 2011 (2010: Rs.697 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 39. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

	2011			2010				
	At January 1,	Given during the year	Received during the year	At December 31,	At January 01,	Given during the year	Received during the year	At December 31
Rupees in '000								
<b>Advances</b>								
Associates	1,294,419	-	(13,390)	1,281,029	1,287,942	6,477	-	1,294,419
Key management executives	126,519	10,700	(16,768)	120,451	97,439	46,553	(17,473)	126,519
*Adjustment	(38,341)			(38,341)	-	-	-	-
	88,178	10,700	(16,768)	82,110	97,439	46,553	(17,473)	126,519
	<u>1,382,597</u>	<u>10,700</u>	<u>(30,158)</u>	<u>1,363,139</u>	<u>1,385,381</u>	<u>53,030</u>	<u>(17,473)</u>	<u>1,420,938</u>

	2011			2010				
	At January 1,	Received during the year	Withdrawals during the year	At December 31,	At January 01,	Received during the year	Withdrawals during the year	At December 31
Rupees in '000								
<b>Deposits</b>								
Key management executives	58,136	217,213	(260,763)	14,586	15,500	214,538	(171,902)	58,136
*Adjustment	164			164				
	58,300	217,213	(260,763)	14,750	15,500	214,538	(171,902)	58,136
Pension Fund (Current)	5,037	30,056	(29,237)	5,856	405,351	9,798,211	(10,198,525)	5,037
Pension Fund (Fixed Deposit)	8,400,000	10,200,000	(2,500,000)	16,100,000	7,300,000	2,600,000	(1,500,000)	8,400,000
Provident Fund	8,909,272	2,281,333	(966,150)	10,224,455	7,448,101	3,093,221	(1,632,050)	8,909,272
	<u>17,372,609</u>	<u>12,728,602</u>	<u>(3,756,150)</u>	<u>26,345,061</u>	<u>15,168,952</u>	<u>15,705,970</u>	<u>(13,502,477)</u>	<u>17,372,445</u>

\*Adjustments due to changes in key management executives.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2011	2010
	Rupees in '000	
<b>Placements with:</b>		
Joint ventures	614,100	264,591
Associates	23,332	23,332
<b>Reverse Repo lending to:</b>		
Pension Fund	9,999,998	-
<b>Repo borrowing from:</b>		
Joint ventures	78,063	311,349
Associates	-	380,362
<b>Off Balance Sheet items</b>		
<b>Forward exchange contracts with Joint Ventures</b>		
- Bought	974,344	-
- Sold	962,351	-
<b>Income for the year</b>		
On advances / placements with:		
Joint ventures	2,874	272
Key management executives	3,077	3,503
Debts due by company in which a directors of the Bank is interested as director	1,376,979	2,032,190
<b>Mark-up on lending (Reverse Repo):</b>		
Associates	2,257	-
Pension Fund	19,545	-
<b>Expenses for the year</b>		
Remuneration to key management executives	396,086	300,596
Charge for defined benefit plan	13,236	11,721
<b>Mark-up on deposits of:</b>		
Provident fund	1,743,585	1,772,840
Pension fund	940,492	929,343
Commission paid to subsidiaries	4,135	4,690
Key management executives	2,597	1,101
<b>Mark-up on Borrowing (Repo / Call):</b>		
Joint ventures	1,661	-
Associates	130	4,117

39.1 Although the Federal Government and the SBP held about 75.60% (2010: 75.60%) shares of the Bank, the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure. The amount of advances, investments and deposits are disclosed in respective notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 40. CAPITAL ASSESSMENT AND ADEQUACY BASEL II

### 40.1 Statutory minimum capital requirement and management of capital

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

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

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

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

The paid-up capital of the Bank for the year ended December 31, 2011 stood at Rs. 16,818 billion (2010 : Rs. 13.454 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 16.80% (2010: 17.23%).

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

## 40.2 Tier I Capital

	2011	2010
	Rupees in '000	
Fully paid-up capital	16,818,286	13,454,629
General reserves	19,382,696	17,622,224
Unappropriated profits	69,706,141	67,103,611
Non Controlling Interest	495,488	498,076
	<u>106,402,611</u>	<u>98,678,540</u>
<b>Deductions:</b>		
Book value of intangibles	1,642,596	1,294,889
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	3,716,917	2,349,749
Reciprocal cross holdings by the Bank	25,155	56,221
50% of the investments in equity and other regulatory capital of majority owned subsidiaries or other financial subsidiaries not consolidated in the statement of financial position	923,539	1,656,799
	<u>100,094,404</u>	<u>93,320,882</u>
<b>Total eligible Tier I capital</b>		
<b>Supplementary Capital</b>		
<b>Tier II Capital</b>		
General provisions subject to 1.25% of total Risk Weighted Assets	1,465,953	3,765,432
Revaluation reserve (upto 45%)	11,286,459	12,088,556
Foreign exchange translation reserve	6,823,811	7,507,201
	<u>19,576,223</u>	<u>23,361,189</u>
<b>Deductions:</b>		
50% of the investments in equity and other regulatory capital of majority owned subsidiaries or other financial subsidiaries not consolidated in the statement of financial position	923,539	1,656,799
<b>Total eligible Tier II capital</b>	<u>18,652,684</u>	<u>21,704,390</u>
<b>Tier III Capital</b>	-	-
<b>Eligible Tier III Capital</b>	-	-
<b>Total eligible Capital</b>	<u><u>118,747,088</u></u>	<u><u>115,025,272</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 40.3 Capital Adequacy Ratio

Credit Risk	Capital Requirements		Risk Weighted Assets	
	2011	2010	2011	2010
	Rupees in '000		Rupees in '000	
Claim on				
Public sector entities	1,450,734	849,802	14,507,339	8,498,024
Claims on other sovereigns	2,734,894	4,032,659	27,348,939	40,326,586
Banks	1,131,404	1,014,635	11,314,035	10,146,354
Corporates	21,086,491	16,053,604	210,864,909	160,536,038
Retail portfolio	7,377,958	8,185,406	73,779,579	81,854,059
Loans secured by residential property	570,195	589,577	5,701,948	5,895,773
Past due loans	3,023,388	3,815,429	30,233,882	38,154,293
Investment in operating fixed assets	2,611,175	2,633,041	26,111,752	26,330,411
Other assets	4,002,076	2,474,430	40,020,759	24,744,296
Off balance sheet - non-market related exposure	7,062,420	8,052,952	70,624,200	80,529,517
Off balance sheet - market related exposure	208,008	112,132	2,080,075	1,121,318
Equity exposure risk held in the banking book	1,444,950	1,619,096	14,449,497	16,190,964
	52,703,693	49,432,763	527,036,914	494,327,633
<b>Market Risk</b>				
Interest rate risk	372,879	248,493	3,728,790	2,484,928
Equity position risk	4,497,639	3,880,343	44,976,392	38,803,430
Foreign exchange risk	2,088,297	2,810,868	20,882,970	28,108,677
	6,958,815	6,939,704	69,588,152	69,397,035
<b>Operational Risk</b>	11,010,366	10,377,694	110,103,658	103,776,937
<b>Total</b>	<u>70,672,874</u>	<u>66,750,161</u>	<u>706,728,724</u>	<u>667,501,605</u>
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (a)	40.2	<u>118,747,088</u>	<u>115,025,272</u>	
Total Risk Weighted Assets (b)	40.3	<u>706,728,724</u>	<u>667,501,605</u>	
Capital Adequacy Ratio (a) / (b)		<u>16.80%</u>	<u>17.23%</u>	

## 40.4 Credit risk - General disclosures

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

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

Exposures	2011	
	JCR - VIS	PACRA
Corporate	✓	✓
Banks	✓	✓
Sovereigns	x	x
SME's	x	x
Securitisation	N / A	N / A
Others	N / A	N / A



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 40.5 Credit Exposures subject to Standardised Approach

Rating Category No.	2011			2010			
	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount	
----- Rupees in '000 -----							
Cash and cash equivalents	-	14,943,225	-	14,943,225	13,968,448	-	13,968,448
Claims on Government of Pakistan	-	360,164,922	-	360,164,922	297,226,791	-	297,226,791
Foreign currency claims on the SBP	-	9,804,081	-	9,804,081	17,372,791	-	17,372,791
Claims on other sovereigns and on the GoP	1	28,803,065	-	28,803,065	20,185,825	-	20,185,825
Claims on other sovereigns and on the GoP	2,3,4, 5	25,495,159	-	25,495,159	26,631,014	-	26,631,014
Claims on other sovereigns and on the GoP	Unrated	3,586,471	-	3,586,471	2,564,314	-	2,564,314
Public Sector Enterprises	1	1,834,550	-	1,834,550	1,727,929	-	1,727,929
Public Sector Enterprises	Unrated	89,389,469	61,108,611	28,280,858	117,291,779	102,023,660	15,268,119
Banks	1,2,3,4, 5	67,665,232	21,799,559	45,865,673	46,854,708	13,169,244	33,685,464
Banks	Unrated	4,765,392	-	4,765,392	6,939,830	-	6,939,830
Corporates	1	43,672,934	-	43,672,934	28,977,620	-	28,977,620
Corporates	2,3,4	13,825,961	-	13,825,961	14,470,749	-	14,470,749
Corporates	Unrated	202,535,370	8,885,000	193,650,370	154,979,320	8,885,000	146,094,320
Retail portfolio	Unrated	126,482,326	28,109,554	98,372,772	140,224,486	31,085,741	109,138,745
Secured by residential property	-	16,291,281	-	16,291,281	16,845,065	-	16,845,065
Past due loans	-	24,632,736	-	24,632,736	29,393,163	-	29,393,163
Listed equity investments - banks	-	13,178,250	-	13,178,250	14,760,819	-	14,760,819
Unlisted equity investments	-	847,498	-	847,498	953,430	-	953,430
Investments in fixed assets	-	26,111,752	-	26,111,752	26,330,411	-	26,330,411
Other assets	-	40,020,759	-	40,020,759	24,744,296	-	24,744,296
		<u>1,114,050,433</u>	<u>119,902,724</u>	<u>994,147,709</u>	<u>1,002,442,788</u>	<u>155,163,645</u>	<u>847,279,143</u>

## 41. RISK MANAGEMENT

The Bank in its capacity of being the largest bank in the country is fully aware of its critical and leading role in sustainable economic growth of Pakistan. The Bank is therefore committed to the establishment of a robust risk management system that caters to the full range of activities that can potentially impact its risk profile i.e. volatility of the global / local markets, technological advancement, innovative new financial products, changing regulatory environment etc.

A significant milestone towards achieving this objective was the hiring of external consultancy services of one of the most reputed and experienced consultant for the Bank wide implementation of the Basel II Accord last year. This project will align the Bank to international best practices and the requirements of the Basel II Accord. This would also maintain long term sustainable growth of the Bank and ensure that it continues to retain the role of the market leader. This would cater interests of all stakeholders, especially the depositors.

Risk management function has been restructured and made independent of all risk taking and approving units; its functional reporting is to the Board of Directors of the Bank and administrative reporting to the President of the Bank.

Risk management has been reorganized and staffing capacity strengthened to effectively cater to the requirements of Basel II accord. Credit Risk Review Wing has been made a separate entity to focus on this key risk function. Data collection, structuring and sanitization have also been recognized as a critical component in risk management, therefore a dedicated Unit has been created for this challenging function.

Risk management function's charter and specific job descriptions of all of the Units have been designed and approved. Risk management charter states the scope, functions and roles and responsibilities of the risk management function.

There is also an Executive Risk Management Committee, comprising of key Group Heads - emphasizing the Bank's commitment to a robust risk management process and risk culture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In conjunction with the consultant, there has been a significant progress towards achieving the objective of this consultancy, such as:

- The bank wide diagnostic exercise, interactively with all the groups within the Bank, has been performed and areas for improvement have been identified and systematically documented.
- A remediation planning exercise has been conducted whereby proposed actions (i.e. projects / initiatives) against the gaps identified in Basel II diagnostic phase, together with their prioritization, responsibilities for implementation and timelines have been developed.
- Assessment of existing and proposed systems has been performed to identify data fields / requirements and system functionalities for capital charge to be calculated accurately on the basis of information captured / to be captured / aggregated in such systems.
- Data collection and validation guidelines have been developed and disseminated across the Bank. Further, training sessions have been conducted by the Consultants to train the staff operating at regional and branch levels with regard to data capturing and validation, cleansing and aggregation.
- An Operational Risk Management Framework has been developed to help align the Bank with the sound practices for operational risk set by Basel Committee and provide guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting and communication and establishment of operational risk management processes. Other initiatives with respect to Operational Risk Management include nominations of Operational Risk Coordinators from all groups / divisions and conduct of detailed orientation sessions with the stakeholders across the Bank.
- To strengthen the risk management culture in the organization, the Bank organized various orientation and discussion sessions during the year. In this regard, an orientation / discussion session with members of the Board Risk Committee and Director - BSD, the SBP was held during the year. Additionally, an Enterprise Risk Management training session, by a reputed external consultant, was arranged for creating awareness amongst the senior management across all disciplines.
- The implementation process of this consultancy will also systematically lay the building blocks for future implementation of the Advanced Approaches of the Basel Accord.

## 41.1 Credit risk management

### 41.1.1 Credit risk architecture

The Credit Risk Architecture Unit (CRAU) has been formed as a part of the organizational restructuring and a charter for it has been designed. Credit Risk Architecture is responsible to supervise that there is a framework in place for effective assessment / measurement, mitigation and reporting of credit risks both on counterparty as well as portfolio level.

Primary responsibilities include formulation and proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio and sector management, including limit setting, MIS and monitoring. This Wing on regular frequency also analyses and presents to the Executive Risk Management Committee / Board Risk Committee, the Bank's comparative position to other key market players on diverse facets, and makes necessary recommendations.

The Wing has ownership for the development process of credit risk ratings models for current use and subsequently rating models to be used for the Basel II FIRB approach; this includes necessary data collection, storage, cleansing and validation.

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## 41.1.2 Credit risk policy, strategy and ICAAP

Focus on Policy formulation and review, monitoring progress on implementation, ICAAP and other strategic aspects etc. Where required / applicable, the function will work with the support and involvement of the respective business and other groups / functions and will coordinate with them in this regard.

## 41.1.3 Credit Modelling and Analytics

This includes development of obligor risk rating templates and supporting rating framework to achieve such compliance, coordinating the process of data collection, cleansing and validation processes to be undertaken in this regard and provide due facilitation and support in implementation of credit rating engine, going forward.

## 41.1.4 Credit Portfolio Management

Credit portfolio management activities extend to development of an effective portfolio management structure and framework for conduct of portfolio quality reviews and proactive reporting to the management for necessary remedial actions.

## 41.1.5 Credit Risk Review

In line with the SBP's Risk Management Guidelines, Risk Management Committee has constituted a dedicated Risk Review Wing for undertaking review of loans and advances on post facto basis. The Wing is responsible to independently review the approved credit cases pertaining to new proposals, renewals, restructuring, rescheduling, write-offs and cases involving other credit decisions, on a reasonable sample basis. The results are to be reported to the Chief Risk Officer for onward communication to Executive Risk Management Committee, Board Risk Committee and other relevant authorities.

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

## 41.1.6 Country Risk Management

This includes establishing, jointly with relevant stakeholders, processes and reporting framework for effective management of country risk including risk assessment, limit setting, exposure monitoring, reporting on concentrations, limit breaches and other aspects.

## 41.1.7 Basel II Implementation and Risk Automation project

Basel II / Risk Automation Project Unit is responsible for managing the Basel II project in close coordination with the Basel II consultants and with the active support and involvement of other functions within the risk management as well as other groups and functions across the Bank. The Unit is also responsible to perform project management and support services in relation to evaluation, selection and implementation of suitable risk management applications, as required by the Bank.

Risk Automation Project Unit is also responsible for coordinating with various functions regarding their requirements from the risk management applications and providing details to the respective vendors (if the related features are available or supposed to be available in any existing or already procured system) and coordinating with the respective functions and selected vendor(s) in relation to finalization of system blue prints and in the process of deployment of system in accordance with the approved blue prints.

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## 41.1.8 Consumer Risk Management Unit

The Unit is responsible for developing an overall consumer risk policy framework describing the consumer risk structure, principles, standards and policies for product programme designing and approvals management of third party relationships. Consumer Risk Management Unit also supervises that there is a framework in place for effective assessment and measurement and mitigation and reporting of credit risks arising from the consumer and programme based SME portfolios.

The bank, as part of its Basel II project is in the process of developing expert judgment scorecards for its housing and personal loan portfolio.

The primary responsibilities include formulation / proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio management including limit setting, MIS and monitoring.

## 41.1.9 E-CIB and Data Management

E-CIB and Data Management Wing consists of a dedicated team of personnel responsible for reviewing quality and integrity of credit and advances related data. Such data may be input at various input sources in various groups, divisions and field functionaries.

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

The wing has started working on enhanced data fields for capital calculations and historical data for credit rating models used for Basel-II standardized and FIRB approaches.

## 41.1.10 SEGMENTAL INFORMATION

### 41.1.10.1 Segment by class of business

	2011					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	3,508,803	0.59	2,154,436	0.23	2,175,963	0.92
Agriculture	29,924,062	5.03	22,778,305	2.46	602,169	0.25
Textile	66,457,313	11.18	2,855,870	0.31	8,286,747	3.49
Cement	10,472,359	1.76	230,214	0.02	2,439,610	1.03
Sugar	15,261,948	2.57	218,833	0.02	2,315,302	0.97
Flour	2,806,650	0.47	2,460,809	0.27	-	0.00
Rice processing	9,934,453	1.67	935,535	0.10	-	0.00
Shoes and leather garments	1,203,755	0.20	268,768	0.03	155,492	0.07
Automobile and transportation equipment	3,307,550	0.56	1,008,777	0.11	1,639,679	0.69
Financial	20,922,676	3.52	139,227,188	15.01	5,295,744	2.23
Insurance	-	0.00	6,224,703	0.67	3,151	0.00
Transportation	32,946,584	5.54	16,100,908	1.74	4,606,049	1.94
Real estate construction	10,015,840	1.68	10,862,712	1.17	4,382,940	1.84
Electronics and electrical appliances	9,046,856	1.52	726,442	0.08	2,549,876	1.07
Production and transmission of energy	54,135,848	9.10	19,444,693	2.10	105,493,477	44.39
Food and tobacco	1,638,057	0.28	779,280	0.08	737,868	0.31
Fertilizer	19,006,645	3.20	5,696,512	0.61	4,163,001	1.75
Metal products	26,443,680	4.45	3,582,195	0.39	3,160,006	1.33
Telecommunication	5,608,880	0.94	12,131,343	1.31	4,843,222	2.04
Hotel and services	13,960,505	2.35	50,427,658	5.44	3,465,170	1.46
Public sector commodity operations	64,620,621	10.87	11,346,682	1.22	17,714,533	7.45
Individuals	86,439,511	14.54	391,652,916	42.23	-	4.81
General traders	16,950,643	2.85	26,339,994	2.84	12,571,882	0.48
Others	89,975,408	15.13	199,960,359	21.56	51,045,443	21.48
	<u>594,588,647</u>	<u>100.00</u>	<u>927,415,132</u>	<u>100.00</u>	<u>237,647,324</u>	<u>100.00</u>

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	2010					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	4,997,369	0.93	2,724,555	0.33	2,537,993	1.11
Agriculture	27,067,257	5.01	16,330,516	1.96	257,337	0.11
Textile	70,022,916	12.96	2,137,019	0.26	7,817,950	3.40
Cement	7,118,138	1.32	193,034	0.02	2,838,910	1.24
Sugar	13,176,319	2.44	144,765	0.02	66,860	0.03
Flour	706,581	0.13	72,098	0.01	-	0.00
Rice processing	9,644,656	1.79	852,648	0.10	6,000	0.00
Shoes and leather garments	1,010,159	0.19	166,693	0.02	101,344	0.04
Automobile and transportation equipment	2,819,605	0.52	860,034	0.10	198,077	0.09
Financial	14,586,922	2.70	84,170,096	10.11	13,827,347	6.02
Insurance	604	0.00	6,212,119	0.75	4,323	0.00
Transportation	27,805,186	5.15	4,252,295	0.51	3,605,133	1.57
Real estate construction	7,825,456	1.45	6,671,156	0.80	942,572	0.41
Electronics and electrical appliances	7,537,267	1.40	569,528	0.07	2,609,892	1.14
Production and transmission of energy	62,266,767	11.53	54,550,085	6.56	32,519,887	14.16
Food and tobacco	2,023,488	0.37	475,862	0.06	10,480	0.00
Fertilizer	18,004,257	3.33	2,707,187	0.33	1,241,291	0.54
Metal products	18,887,329	3.50	5,214,970	0.63	9,328,650	4.06
Telecommunication	6,815,009	1.26	48,345,139	5.81	5,319,973	2.32
Hotel and services	16,623,826	3.08	33,665,800	4.05	619,473	0.27
Public sector commodity operations	64,157,338	11.88	12,575,136	1.51	15,492,881	6.75
Individuals	76,673,326	14.20	340,352,770	40.90	-	2.13
General traders	22,187,071	4.11	32,607,558	3.92	5,588,927	0.30
Others	58,173,532	10.75	176,282,991	21.17	124,702,614	54.31
	540,130,378	100.00	832,134,054	100.00	229,637,914	100.00

#### 41.1.10.2 Segment by sector

	2011					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	117,084,000	19.69	340,281,916	36.69	148,696,983	62.57
Private	477,504,647	80.31	587,133,216	63.31	88,950,341	37.43
	594,588,647	100.00	927,415,132	100.00	237,647,324	100.00

	2010					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	133,982,491	24.81	329,822,417	39.64	163,647,783	71.26
Private	406,147,887	75.19	502,311,637	60.36	65,990,131	28.74
	540,130,378	100.00	832,134,054	100.00	229,637,914	100.00

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

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees in '000 -----			
Chemical and pharmaceuticals	2,337,319	2,229,003	2,441,160	2,272,721
Agriculture	2,110,428	1,078,854	1,873,395	1,054,027
Textile	28,761,145	22,462,274	26,432,192	21,267,263
Cement	5,091,254	3,981,947	5,059,717	4,612,161
Sugar	4,137,093	3,706,226	3,200,306	2,649,031
Flour	303,328	288,198	244,968	191,749
Rice processing	2,545,678	1,723,942	1,875,295	1,514,164
Shoes and leather garments	259,679	240,897	429,807	423,583
Automobile and transportation equipment	1,311,135	1,215,260	1,354,447	1,209,634
Financial	904,931	621,681	1,410,483	564,124
Transportation / Karobar	1,699,435	1,524,004	2,176,995	1,810,487
Real estate construction	2,475,978	1,408,101	2,255,065	952,419
Electronics and electrical appliances	5,421,061	1,360,165	332,040	285,549
Production and transmission of Energy	3,572,236	2,020,461	11,607,222	1,464,294
Food and tobacco	1,023,113	1,003,650	565,145	530,780
Fertilizer	3,258,527	101,086	2,697,674	138,795
Metal products	572,471	448,215	1,473,132	359,831
Hotel and services	845,724	589,300	447,913	131,829
Telecommunication	1,696,360	1,696,360	1,142,498	142,000
Individuals	4,998,219	3,096,283	2,884,481	1,761,335
General traders	4,679,531	4,066,700	5,385,614	4,523,526
Others	10,319,952	8,773,008	11,581,804	9,618,889
	<u>88,324,597</u>	<u>63,635,615</u>	<u>86,871,353</u>	<u>57,478,191</u>

#### 41.1.10.4 Details of non-performing advances and specific provision by sector

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- Rupees in '000 -----			
Public / Government	673,818	406,818	12,537,485	614,274
Private	87,650,779	63,228,797	74,333,868	56,863,917
	<u>88,324,597</u>	<u>63,635,615</u>	<u>86,871,353</u>	<u>57,478,191</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 41.1.10.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
----- Rupees in '000 -----				
Pakistan	24,351,166	1,014,900,018	115,312,597	207,598,150
Asia Pacific (including South Asia)	753,645	75,286,032	14,590,411	12,931,886
Europe	(138,855)	10,319,264	3,036,679	4,760,299
United States of America	260,998	18,968,235	2,363,318	6,494,184
Middle East	889,048	34,006,551	491,404	5,862,805
	<u>26,116,002</u>	<u>1,153,480,100</u>	<u>135,794,409</u>	<u>237,647,324</u>
	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
----- Rupees in '000 -----				
Pakistan	23,034,452	909,553,785	113,667,724	206,901,499
Asia Pacific (including South Asia)	415,881	48,174,799	10,049,972	8,462,795
Europe	(125,608)	14,862,146	4,208,356	5,768,015
United States of America	265,681	21,033,619	2,142,935	7,326,269
Middle East	1,031,881	44,394,118	1,229,845	1,179,336
	<u>24,622,287</u>	<u>1,038,018,467</u>	<u>131,298,832</u>	<u>229,637,914</u>

## 41.2 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

In compliance with the Risk Management Guidelines, issued by the SBP, an Operational Risk Management Wing has been established within Risk Management Function. The unit has been strengthened by recruiting skilled resources for Operational Risk Management and imparting adequate trainings to the existing resources.

Year 2011 has been a year of significant development in respect of Operational Risk Management. The Bank, after having gone through the diagnostic study phase, has now developed the Operational Risk Management Framework that not only complies with all SBP and Basel II requirements but also accounts for the international best practices.

For the purpose of effective and timely implementation of Operational Risk Management Framework, the Bank has also developed remediation plans for Operational Risk Management. These plans are broadly for the areas; Risk and Control Self Assessment, KRIs, Business Line Mapping, Loss Data Collection etc.

For identification and assessment of operational risk across the Bank, the Bank has decided to adopt the risk assessment methodology known as Risk and Control Self Assessment (RCSA). The first phase of the RCSA exercise which is Risk & Control Design Assessment (RCDA) is currently being carried out and the Bank intend to develop its first-cut RCDA's by the first half of the year 2012.

In 2011, the Bank also underwent a huge historical loss data collection exercise whereby historical loss data was collected from various business / support units. In addition to this, Operational Risk Profile is also communicated to the Board and senior management on a regular basis through presentations, reports, MIS etc.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 41.3 Market and Liquidity Risk

Market Risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, and commodity prices; resulting in loss of earnings and capital.

Market risk includes price risk and liquidity exposures. Price and liquidity risks are closely interlinked to other risks within the Bank. The objective of Market Risk Management is to identify, measure, monitor and manage the Bank's portfolio in order to manage / reduce losses due to market volatility inherent in financial instruments.

Risk Management Policy approved by the Board covers investment, equity trading, foreign exchange, money market, Assets Liability Management and Liquidity Risk. The Bank's Assets Liability Committee (ALCO) and Credit Committee approve different exposure limits for implementation by respective business units. Market Risk and Liquidity Wing monitors Market Risk Exposure's and Market Risk activities on a day to day basis. This includes investment, Net Open Position, Interest Rate Risk, Revaluation Limits, and Mark to Market Limit, Settlement Limit, Money Market Call Limit, Money Market Reverse Repo Limit, Foreign Currency Wise Exposure and Gap Limit etc.

### 41.3.1 Foreign Exchange Risk

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	1,003,305,901	836,866,488	(51,888,051)	114,551,362
United States Dollar	68,464,452	91,545,972	23,852,815	771,295
Great Britain Pound	9,495,829	7,800,493	2,657,351	4,352,687
Japanese Yen	30,905,940	56,751,032	21,525,309	(4,319,783)
Euro	10,566,686	8,393,812	3,843,499	6,016,373
Other currencies	30,741,292	16,327,894	9,077	14,422,475
	150,174,199	180,819,203	51,888,051	21,243,047
	<u>1,153,480,100</u>	<u>1,017,685,691</u>	<u>-</u>	<u>135,794,409</u>
	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	885,397,462	752,428,881	(31,340,714)	101,627,867
United States Dollar	86,841,220	103,188,624	19,578,552	3,231,148
Great Britain Pound	8,611,200	8,718,349	4,198,884	4,091,735
Japanese Yen	12,421,571	16,630,907	4,504,219	294,883
Euro	13,818,777	11,834,997	3,050,345	5,034,125
Other currencies	30,928,237	13,917,877	8,714	17,019,074
	152,621,005	154,290,754	31,340,714	29,670,965
	<u>1,038,018,467</u>	<u>906,719,635</u>	<u>-</u>	<u>131,298,832</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

#### 41.3.2 Equity Position Risk

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

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

#### The Bank mitigates the aforesaid risks as follows:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

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

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

2011

On-balance sheet financial instruments	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Above 10 Years	Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years				
----- Rupees in '000 -----															
<b>Assets</b>															
Cash and balances with treasury banks	0.1%	131,843,291	44,918,933	9,535,339	2,375,447	909,675	74,012	-	-	-	-	-	-	-	86,924,358
Balances with other banks	1.8%	28,069,897	5,165,859	202,731	-	-	-	-	-	-	-	-	-	-	10,009,565
Lending to financial institutions - net	10.9%	44,360,727	44,157,996	2,749,363	50,802,468	108,461,310	31,429,674	6,309,992	28,976,342	831,548	51,977,055	-	-	-	-
Investments - net	11.3%	319,527,254	4,365,404	27,494,363	84,944,642	16,983,478	14,095,004	26,626,126	4,562,166	4,312,479	-	-	-	-	-
Advances - net	13.6%	527,109,209	152,052,718	144,037,340	188,866,241	25,936,588	45,524,678	32,936,118	33,538,508	5,144,027	-	-	-	-	31,398,173
Other assets	0.0%	31,398,173	250,660,910	181,269,773	138,122,557	188,866,241	25,936,588	45,524,678	33,538,508	5,144,027	-	-	-	-	180,309,151
<b>Liabilities</b>															
Bills payable	0.0%	9,104,710	-	-	-	-	-	-	-	-	-	-	-	-	9,104,710
Borrowings	8.7%	26,371,675	15,383,539	6,442,364	1,683,072	177,800	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5.7%	927,415,132	531,111,407	25,525,458	42,346,431	33,224,236	2,164,210	1,140,466	534,029	99,970	-	-	-	-	291,268,925
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	18.0%	92,739	21,536	6,229	11,979	30,157	22,496	342	-	-	-	-	-	-	-
Other liabilities	0.0%	41,583,618	-	-	-	-	-	-	-	-	-	-	-	-	41,583,618
<b>On-balance sheet gap</b>		<b>77,740,677</b>	<b>(295,855,572)</b>	<b>149,295,722</b>	<b>94,081,075</b>	<b>155,434,048</b>	<b>23,749,882</b>	<b>44,383,870</b>	<b>33,438,538</b>	<b>5,144,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(161,648,102)</b>	
----- Rupees in '000 -----															
<b>Off-balance sheet financial instruments</b>															
Cross currency swaps	-	3,140,259	3,140,259	-	-	-	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange	-	160,587,401	59,541,648	17,447,702	5,452,050	-	-	-	-	-	-	-	-	-	-
Forward sale of foreign exchange	-	106,748,426	69,905,801	20,102,435	1,872,300	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>270,476,086</b>	<b>129,447,449</b>	<b>32,315,592</b>	<b>7,324,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<b>348,216,763</b>	<b>(166,408,123)</b>	<b>250,684,417</b>	<b>126,396,667</b>	<b>162,758,398</b>	<b>23,749,882</b>	<b>44,383,870</b>	<b>33,438,538</b>	<b>5,144,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(161,648,102)</b>	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		<b>(166,408,123)</b>	<b>84,276,294</b>	<b>210,672,961</b>	<b>373,431,359</b>	<b>397,181,241</b>	<b>441,565,111</b>	<b>471,282,300</b>	<b>504,720,838</b>	<b>509,864,865</b>	<b>348,216,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 41.4 Liquidity Risk

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

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

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

### 2011

	Exposed to Yield / Interest risk									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	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	131,843,291	131,843,260	-	31	-	-	-	-	-	-
Balances with other banks	28,069,897	15,334,707	9,047,137	2,456,630	910,215	74,012	247,196	-	-	-
Lending to financial institutions - net	44,360,727	44,138,327	222,400	-	-	-	-	-	-	-
Investments - net	319,527,254	5,282,231	28,895,175	47,818,896	155,815,408	14,209,611	28,058,362	5,599,672	28,169,928	5,677,971
Advances - net	527,109,209	101,009,326	49,345,338	84,062,117	101,750,348	38,902,655	33,261,810	46,151,827	61,017,037	11,608,751
Operating fixed assets	28,126,754	19,065	3,754	-	1,972,423	2,988,504	995,301	427,707	248,435	21,471,565
Deferred tax assets - net	7,973,084	-	-	-	-	35,463	-	1,790,606	6,147,015	-
Other assets	66,469,884	14,044,846	15,092,868	7,717,170	2,202,864	20,787,266	6,226,540	265,009	120,904	12,417
	1,153,480,100	311,671,762	102,606,672	142,054,844	262,651,258	76,997,511	68,789,209	54,234,821	95,703,319	38,770,704
<b>Liabilities</b>										
Bills payable	9,104,710	9,104,710	-	-	-	-	-	-	-	-
Borrowings	26,371,675	15,383,539	6,442,364	1,683,072	177,800	-	-	2,684,900	-	-
Deposits and other accounts	927,415,132	636,557,467	101,519,461	78,392,336	93,120,332	6,689,343	2,808,224	5,985,785	2,119,288	222,896
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	92,739	5,274	6,229	11,979	38,680	30,235	342	-	-	-
Other liabilities	54,701,435	23,324,891	397,233	7,082,905	779,729	16,636,236	1,269,299	2,624,693	1,269,299	1,317,150
Deferred tax liabilities	1,017,685,691	684,375,881	108,365,287	87,170,292	94,116,541	23,355,814	4,077,865	11,295,378	3,388,587	1,540,046
	135,794,409	(372,704,119)	(5,758,615)	54,884,552	168,534,717	53,641,697	64,711,344	42,939,443	92,314,732	37,230,658
<b>Net assets</b>										
Share capital	16,818,286									
Reserves	26,206,507									
Unappropriated profit	69,712,113									
Non-controlling interest	495,488									
Surplus on revaluation of assets - net	22,562,015									
	135,794,409									

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 41.1 Maturities of Assets and Liabilities - (continued)

	2010							Above 10 Years
	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
<b>Assets</b>	----- Rupees in '000 -----							
Cash and balances with treasury banks	115,657,025	106,853,882	8,594,636	29	198,783	9,695	-	-
Balances with other banks	30,743,368	19,085,511	9,591,700	1,435,140	277,314	353,703	-	-
Lending to financial institutions - net	23,051,171	19,091,419	3,959,752	-	-	-	-	-
Investments - net	301,078,498	32,379,661	71,508,720	67,204,656	27,078,415	36,367,520	10,541,214	18,082,045
Advances - net	478,886,755	115,698,580	55,534,843	30,583,781	94,603,635	29,388,566	59,276,510	39,979,936
Operating fixed assets	27,620,697	-	-	-	789,467	2,684,955	671,661	601,305
Deferred tax assets - net	6,954,228	-	-	-	977	-	1,611,282	5,341,969
Other assets	54,026,725	12,658,924	11,141,021	6,726,996	952,925	20,609,647	287,377	429,184
<b>Liabilities</b>	1,038,018,467	305,767,977	160,330,672	105,950,602	123,901,516	89,414,086	72,388,044	64,434,439
Bills payable	-	-	-	-	-	-	-	-
Borrowings	8,006,631	8,006,631	-	-	-	-	-	-
Deposits and other accounts	19,657,207	11,604,545	2,290,967	1,958,271	853,964	-	2,949,460	-
Sub-ordinated loans	832,134,054	643,396,757	51,774,455	45,367,202	75,564,331	4,710,578	6,503,863	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Other liabilities	123,413	17,993	4,683	10,420	27,576	40,673	-	-
Deferred tax liabilities	46,798,330	21,197,954	877,564	4,290,245	519,961	14,510,798	2,161,532	1,080,092
<b>Net assets</b>	906,719,635	684,223,880	54,947,669	51,626,138	76,965,832	19,262,049	11,614,855	1,080,092
Share capital	131,298,832	(378,455,903)	105,383,003	54,324,464	46,935,684	70,152,037	60,773,191	63,354,347
Reserves	13,454,629	25,129,425	-	-	-	-	-	-
Unappropriated profit	67,103,611	498,076	-	-	-	-	-	-
Non-controlling interest	25,113,091	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	131,298,832	-	-	-	-	-	-	-

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## 42. ISLAMIC BANKING BUSINESS

The Bank is operating 8 Islamic banking branches as at December 31, 2011 (December 31, 2010: 8 branches). The statement of financial position, and profit and loss account and cash flow statement of such branches are as under:

### 42.1 Profit Distribution Policy for Islamic Banking Division

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

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

### 42.2 Statement of Financial Position As at December 31, 2011

	2011	2010
	Rupees in '000	
<b>ASSETS</b>		
Cash and balances with treasury banks	141,873	157,726
Balances with and due from financial institutions	-	200,000
Investments	1,557,399	1,038,673
Financing / Receivables under:		
- Murabaha	658,310	278,398
- Diminishing Musharika	723,313	212,500
- Ijarah assets	372,408	417,920
- Other Islamic modes	-	94,513
Provision against non performing financings	(192,874)	(278,233)
Operating fixed assets	11,613	11,763
Due from Head Office	-	44,650
Other assets	111,182	47,993
	<u>3,383,224</u>	<u>2,225,903</u>
<b>LIABILITIES</b>		
Bills payable	9,385	5,421
Deposits and other accounts	1,519,844	2,193,413
Due to Head Office	1,433,810	-
Other liabilities	48,650	36,186
	<u>3,011,689</u>	<u>2,235,020</u>
<b>NET ASSETS</b>	<u>371,535</u>	<u>(9,117)</u>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	300,000	300,000
Unappropriated profit / (Accumulated loss)	71,535	(309,117)
	<u>371,535</u>	<u>(9,117)</u>
(Deficit) / Surplus on revaluation of assets - net	-	-
	<u>371,535</u>	<u>(9,117)</u>
<b>Remuneration to Shariah Advisor</b>	<u>1,273</u>	<u>988</u>
<b>CHARITY FUND</b>		
Opening balance	-	-
Additions during the period	426	3,000
Payment / utilisation during the period	(426)	(3,000)
Closing balance	<u>-</u>	<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 42.3 PROFIT AND LOSS ACCOUNT For the year ended December 31, 2011

	2011	2010
	Rupees in '000	
Profit / return earned on financings, investments and placements	529,589	170,744
Profit / return expensed on deposit	(280,346)	(57,448)
Net spread earned	249,243	113,296
Depreciation on assets given on Ijarah	(138,619)	(65,969)
	<u>110,624</u>	<u>47,327</u>
Provision against advances and investments	(46,875)	(278,233)
Provision reversed against advances and investments	107,234	-
	<u>60,359</u>	<u>(278,233)</u>
Profit / (Loss) after provision	170,983	(230,906)
<b>Other income</b>		
Fee, commission and brokerage income	4,105	3,104
Income from dealing in foreign currencies	132	351
Other income	274	36
Total other income	4,511	3,491
	<u>175,494</u>	<u>(227,415)</u>
<b>Other expenses</b>		
Administrative expenses	(103,959)	(84,575)
Profit / (loss) for the year	<u><u>71,535</u></u>	<u><u>(311,990)</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 42.4 Cash Flow Statement For the year ended December 31, 2011

	2011	2010
	Rupees in '000	
<b>Cash Flow from Operating Activities</b>		
Profit / (Loss) for the year	71,535	(311,990)
Adjustments :		
Depreciation - Own assets	2,056	1,409
Depreciation - Ijarah assets	138,619	65,969
Provision against non performing financings	46,875	278,233
	187,550	345,611
	259,085	33,621
(Increase) / Decrease in operating assets		
Due from Financial Institutions	200,000	(200,000)
Financings	(1,616,684)	(1,133,449)
Other assets	(63,189)	31,580
	(1,479,873)	(1,301,869)
(Increase) / Decrease in operating liabilities		
Bills payable	3,964	(649)
Deposits and other accounts	(673,569)	1,712,514
Borrowings from Head Office	1,861,179	(276,726)
Other liabilities	13,871	(49,544)
	1,205,445	1,385,595
<b>Net cash (used in) / generated from operating activities</b>	(15,343)	117,347
<b>Cash Flow from Investing Activities</b>		
Investment in operating fixed assets	(510)	(2,911)
<b>Net cash used in investing activities</b>	(510)	(2,911)
<b>Cash Flow from Financing Activities</b>		
Net Cash Flow from Financing Activities	-	-
<b>(Decrease) / Increase in cash and cash equivalents</b>	(15,853)	114,436
Cash and cash equivalents at beginning of the year	157,726	43,290
<b>Cash and cash equivalents at end of the year</b>	141,873	157,726



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 42.5 Allocation of Income and Expenses to Remunerative Depositors' Pool

For the year ended December 31, 2011	2011	2010
	Rupees in '000	
Income from financing activities	339,457	123,317
Income from investments	188,141	46,649
Income from placements with Financial Institutions	1,991	779
<b>Total Income</b>	<b>529,589</b>	<b>170,745</b>
Less: Administrative expenses directly attributable to the Pool	(138,619)	(65,969)
Less: Profit Distributed to other Special Pools	(81,092)	(14,641)
<b>Gross Distributable Income</b>	<b>309,878</b>	<b>90,135</b>
Mudarib (Bank) share of profit before Hiba	(79,748)	(15,108)
Less: Hiba from bank's share to depositors	32,800	8,281
Net Mudarib (Bank) share of profit	(46,948)	(6,827)
<b>Rab-ul-Maal Share of Profit</b>	<b>262,930</b>	<b>83,308</b>
<b>Rab-ul-Maal Share of Profit is distributed as follows:</b>		
Remunerative depositors' share in Mudarabah pool	216,252	51,330
Bank's equity in Mudarabah pool	46,678	31,978
	<b>262,930</b>	<b>83,308</b>

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

## 43. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs. 7.5 per share (2010: Rs. 7.5 per share) amounting to Rs. 12,614 million (2010: Rs. 10,091 million) and bonus shares in the proportion of 10 ordinary shares (2010: 25) per 100 ordinary shares held amounting to Rs. 1,682 million (2010: Rs. 3,364 million) at its meeting held on March 6, 2012 for approval of the members at the annual general meeting to be held on March 30, 2012. These financial statements do not reflect this appropriation as explained in note 5.16.

## 44. GENERAL

Figures have been rounded off to the nearest thousand rupees.

## 45. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 6, 2012 by the Board of Directors of the Bank.

\_\_\_\_\_  
President

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

Annexure 'I'

Referred to in Note 9.13 to the financial statements

## 1.1 Particulars of investments held in listed companies and modarabas

### 1.1.1 Ordinary shares

#### Detail of Investments

As at December 31

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2011	2010	2011	2010
----- Rupees in '000 -----						
<b>Held-for-trading</b>						
Attock Refinery Limited	Unrated	Unrated	-	50,000	-	16,726
Attock Petroleum Limited	Unrated	AA/A1+	250,000	275,000	26,913	34,287
Dawood Hercules Chemical Limited	Unrated	Unrated	-	1,000,000	-	30,170
D G Khan Cement	Unrated	Unrated	-	25,000	-	4,959
FFC Bin Qasim Limited	Unrated	Unrated	-	647,561	-	23,137
Habib Bank Limited	AA+	Unrated	-	300,000	-	36,582
ICI Pakistan Limited	Unrated	Unrated	-	62,916	-	9,075
Lucky Cement Limited	Unrated	Unrated	36,985	354,038	2,775	26,833
MCB Bank Limited	Unrated	AA+/A1+	175,267	100,000	23,591	22,854
Nishat Mills Limited	Unrated	AAA/A1+	75,000	214,924	18,202	58,844
National Refinery Limited	Unrated	AA-/A1+	1,497,407	205,500	60,570	13,187
Pakistan Oilfields	Unrated	Unrated	106,000	-	1,101	-
Pakistan Petroleum Limited	Unrated	Unrated	105,141	212,500	36,426	62,892
Pakistan State Oil company Limited	Unrated	Unrated	-	345,680	-	75,064
P.T.C.L	Unrated	AA+/A1+	737,861	425,000	167,649	125,452
			<b>2,983,661</b>	<b>4,218,119</b>	<b>337,227</b>	<b>540,061</b>
<b>Available-For-Sale</b>						
Abbott Laboratories Limited	Unrated	Unrated	1,267,462	1,267,462	126,480	139,091
Accord Textile Mills Limited	Unrated	Unrated	233,400	233,400	93	163
Adamjee Floorings Limited	Unrated	Unrated	30,080	30,080	-	-
Adamjee Insurance Company Limited	Unrated	AA	769,442	768,942	35,787	67,282
Adamjee Papers & Board Mills Limited	Unrated	Unrated	137,597	137,597	-	-
Adil Polypropylene Limited	Unrated	Unrated	69,093	69,093	-	-
Adil Textile Mills Limited	Unrated	Unrated	47,696	47,696	-	-
Afsar Textile Mills Limited	Unrated	Unrated	32,778	32,778	-	-
Agriauto Industries Limited	Unrated	Unrated	567,047	617,047	32,605	47,019
Agritec Limited	Unrated	D	11,499,000	11,499,000	176,625	274,826
Al Abbas Sugar Mills Limited	Unrated	A/A1	727,285	727,285	65,303	69,019
Al Abid Silk Mills Limited	Unrated	Unrated	583,570	583,570	14,297	19,596
Al Qaim Textile Mills	Unrated	Unrated	183,265	183,265	73	275
Al-Ghazi Tractors Limited	Unrated	Unrated	1,705	30,900	329	7,014
Al-Hussany Industries Limited	Unrated	Unrated	31,514	31,514	-	-
Alif Textile Mills Limited	Unrated	Unrated	163,464	163,464	-	-
Allawasaya Textile & Finishing Mills Limited	Unrated	Unrated	-	25	-	2
Allied Bank Limited	Unrated	AA/A1+	3,990,783	1,304,406	214,983	91,504
Amazai Textile Limited	Unrated	Unrated	10,111	10,111	5	5
Amtex Limited	Unrated	Unrated	23,172,472	23,172,472	27,807	93,849
Apex Fabrics Limited	Unrated	Unrated	144,506	144,506	-	-
Arag Industries Limited	Unrated	Unrated	96,478	96,478	-	-
Arif Habib Investments Limited	Unrated	Unrated	3,733,816	2,626,146	96,743	68,280
Arif Habib Limited	Unrated	Unrated	-	63,932	-	1,135
Arif Habib Corp Limited (Arif Habib Securities Limited)	Unrated	Unrated	129,255	129,255	1,833	3,362
Aruj Garment Accessories Limited	Unrated	Unrated	34,541	34,541	155	181
Asim Textile Mills Limited	Unrated	Unrated	582,237	582,237	757	1,456
Askari Commercial Bank Limited	Unrated	AA/A1+	13,070,676	11,882,433	131,099	210,200
Aslo Electronics Limited	Unrated	Unrated	20,054	20,054	-	-
Aswan Tantage Limited	Unrated	Unrated	86,030	86,030	-	-
Atlas Bank Limited	Unrated	Unrated	-	11,703,953	-	19,077
Atlas Honda Limited	Unrated	Unrated	-	48,561	-	6,069
Attock Petroleum Limited	Unrated	Unrated	1,584,126	105,000	653,452	35,125
Attock Refinery Limited	Unrated	AA/A1+	2,300,457	3,207,000	247,644	399,849
Awan Textile Mills Limited	Unrated	Unrated	108,696	108,696	-	-
Ayaz Textile Mills Limited	Unrated	Unrated	107,432	107,432	-	-
Azgard Nine	Unrated	SD	22,169,691	2,515,091	63,184	24,296
Babri Cotton Mills Limited	Unrated	Unrated	41,026	41,026	343	473
Bahawalpur Textile Limited	Unrated	Unrated	33,283	33,283	-	-
Balochistan Glass Limited	Unrated	Unrated	-	301,443	-	922
Balochistan Particle Board Limited	Unrated	Unrated	398,550	398,550	279	478
Baluchistan Foundry (Tower)	Unrated	Unrated	37,664	37,664	-	-
Baluchistan Wheels Limited	Unrated	Unrated	811,357	811,357	21,193	27,440
Bank Al Habib Limited	Unrated	AA+/A1+	28,114,699	25,257,506	802,112	915,837
<b>Balance carried forward</b>			<b>117,122,338</b>	<b>101,252,281</b>	<b>2,713,182</b>	<b>2,523,825</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2011	2010	2011	2010
----- Rupees in '000 -----						
<b>Balance brought forward</b>			<b>117,122,338</b>	<b>101,252,281</b>	<b>2,713,182</b>	<b>2,523,825</b>
Bank Alfalah Limited	Unrated	AA/A1+	57,943,846	35,895,723	651,868	402,391
Bank Of Punjab	Unrated	AA-/A1+	1,322,479	1,322,479	7,155	12,974
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	251,022	251,022	-	-
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	1,485,925	1,485,925	-	-
Bankislami Pakistan Limited	Unrated	Unrated	898,394	898,394	2,785	3,261
Bannu Woollen Mills Limited	Unrated	Unrated	75,697	190,840	1,061	-
Bata Pakistan Limited	Unrated	Unrated	578,040	570,512	473,068	393,168
Bawany Textile Mills Limited	Unrated	Unrated	42,972	42,972	-	-
Bela Engineers Limited	Unrated	Unrated	135,658	135,658	-	-
Berger Paints Limited	Unrated	Unrated	314,929	314,929	4,157	7,247
Blessed Textiles Limited	Unrated	Unrated	551,942	26,112	35,247	1,205
Boc Pakistan Limited	Unrated	Unrated	515,585	515,585	52,074	46,970
Bolan Casting Limited	Unrated	Unrated	1,367,863	1,367,863	38,984	60,323
Brother Textile Mills Limited	Unrated	Unrated	429,055	429,055	184	296
Brr Guardian Modaraba	D	Unrated	-	612,819	-	1,109
Buxlay Paints Limited	Unrated	Unrated	89,291	89,291	501	1,295
Callmate Telips Telecom Limited	Unrated	Unrated	44	44	-	-
Casspak Industries Limited	Unrated	Unrated	27,384	27,384	-	-
Central Cotton Mills	Unrated	Unrated	17,864	17,864	-	-
Century Paper & Board Mills Limited	A+	Unrated	1,735,329	1,916,525	22,559	32,293
Charsada Sugar Mills Limited	Unrated	Unrated	4,634	4,634	32	36
Chashma Sugar Mills Limited	Unrated	Unrated	73,223	73,223	585	909
Cherat Cement Limited	Unrated	Unrated	6,500,269	6,500,269	46,867	69,878
Chilya Corrugated Board Limited	Unrated	Unrated	22,076	22,076	-	-
Clariant Pakistan Limited	Unrated	Unrated	703,570	802,056	104,832	146,776
Colony Mills	Unrated	Unrated	775,397	775,397	775	1,977
Colony Sarhad Textile	Unrated	Unrated	167,677	167,677	126	101
Colony Sugar Mills Limited	Unrated	Unrated	181,491	181,491	272	586
Crescent Knitwear	Unrated	Unrated	42,130	42,130	-	-
Crescent Spinning Mills	Unrated	Unrated	370,744	370,744	-	-
Crescent Steel & Allied Product	Unrated	Unrated	3,571,714	2,613,083	64,827	71,886
Crescent Sugar Mills	Unrated	Unrated	-	364,790	-	2,462
Crescent Textile Mills Limited	Unrated	Unrated	1,049,799	1,049,799	8,640	24,901
Crown Textile	Unrated	Unrated	161,948	161,948	-	-
Cynamid( Wyeth Pakistan )	Unrated	Unrated	56,858	56,858	46,621	59,798
D.M. Textile Mills	Unrated	Unrated	-	171,537	-	465
D.S. Industries Limited	Unrated	Unrated	540,339	540,339	416	989
Dadabhoy Construction	Unrated	Unrated	40,024	40,024	20	20
Dadabhoy Cement Industries	Unrated	Unrated	5,004,500	5,004,500	7,056	8,558
Dadabhoy Leasing Co.	Unrated	Unrated	188,742	188,742	-	-
Dadabhoy Sack Limited	Unrated	Unrated	25,102	25,102	-	-
Dadex Eternit Limited	Unrated	Unrated	-	2,281	-	42
Dandot Cement	Unrated	Unrated	160,000	160,000	186	392
Data Agro Limited	Unrated	Unrated	50,135	50,135	-	-
Dawood Capital Management	Unrated	AM4+	338,285	338,285	220	656
Dawood Hercules Corporation Limited	Unrated	Unrated	7,205,328	1,728,428	305,434	342,851
Dawood Lawrencepur Limited	Unrated	Unrated	135,412	117,750	4,260	5,119
Dewan Automotive Engg. (Formerly: Allied Motors Limited)	Unrated	Unrated	-	1	-	-
Dewan Cement (Pakland Cement)	Unrated	D	4,587,003	4,587,003	5,734	10,275
Dewan Khalid Textile	Unrated	Unrated	142,425	142,425	142	456
Dewan Mushtaq Textile	Unrated	Unrated	14,442	64,442	33	380
Dewan Salman Fibres	Unrated	Unrated	2,740,202	4,240,202	3,316	12,678
Dewan Sugar Mills	Unrated	Unrated	696,135	696,135	1,392	2,506
Dg Khan Cement	Unrated	Unrated	6,929,158	3,420,132	131,862	103,185
Din Textile Mills Limited	Unrated	Unrated	-	195,769	-	5,266
Dost Steel Limited	Unrated	Unrated	55,076	55,076	63	149
Dynea Pakistan	Unrated	Unrated	23,358	23,358	199	262
Efu General Insurance	AA	Unrated	214,481	214,481	8,182	9,446
Ellicot Spinning Mills Limited	Unrated	Unrated	356,591	381,666	6,597	7,652
Emco Industries Limited	Unrated	Unrated	384,708	384,708	742	1,116
English Leasing Limited	Unrated	Unrated	360,416	360,416	234	234
Engro Corporation Limited	Unrated	AA/A1+	4,540,456	3,547,662	420,900	687,572
Engro Food Limited	Unrated	AA/A1+	26,104,614	-	589,964	-
Engro Polymer & Chemicals Limited	Unrated	Unrated	1,770,833	1,770,833	12,874	25,270
Escort Investment Bank	A+	Unrated	1,184,092	1,184,092	1,776	3,304
Exide Pakistan Limited	Unrated	Unrated	-	198,229	-	38,902
Faran Sugar Mills Limited	Unrated	Unrated	1,360,098	1,360,098	25,502	28,344
Fateh Industries	Unrated	Unrated	11,712	11,712	64	64
Fateh Sportswear Limited	Unrated	Unrated	23,003	23,003	219	219
Fateh Textile Mills	Unrated	Unrated	11,847	11,847	1,192	1,339
Fatima Enterprises	Unrated	Unrated	109	320,609	2	4,264
Fatima Fertilizer Company Limited	Unrated	Unrated	461,576	-	10,579	-
Fauji Fertilizer Company Limited	Unrated	Unrated	1,050,004	21,486,647	157,018	1,099,335
Faysal Bank Limited	AA	AA/A1+	4,637,860	4,500,000	37,706	70,155
Fazal Textile Mills	Unrated	Unrated	34,527	34,527	8,514	13,811
Fazal Vegetable Ghee	Unrated	Unrated	21,486	21,486	97	97
Balance carried forward			<b>269,991,266</b>	<b>218,153,134</b>	<b>6,018,899</b>	<b>6,353,596</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2011	2010	2011	2010
----- Rupees in '000 -----						
<b>Balance brought forward</b>			<b>269,991,266</b>	<b>218,153,134</b>	<b>6,018,899</b>	<b>6,353,596</b>
Fecto Cement Limited	Unrated	Unrated	880,337	880,337	3,433	6,382
Ferozsons Laboratories Limited	Unrated	Unrated	1,429,315	1,242,883	117,190	108,292
Ffc Bin Qasim Limited	Unrated	Unrated	10,899	9,115,897	462	325,711
First Capital Securities Corp.	Unrated	Unrated	2,048,345	2,048,345	3,810	7,292
First Dawood Investment Bank	Unrated	CCC	1,394,028	1,394,028	1,059	2,635
First Equity Modarba	Unrated	Unrated	907,135	907,135	680	1,361
First Fidelity Leasing Mod.	Unrated	Unrated	189,062	523,903	287	912
First National Equities Limited	Unrated	Unrated	121,137	121,137	329	1,066
Frontier Ceramics Limited	Unrated	Unrated	-	1,331,265	-	3,208
General Tyre & Rubber Co.	Unrated	Unrated	1,600,000	1,600,000	33,456	36,160
Ghafoor Textile Mills	Unrated	Unrated	23,424	23,424	-	-
Ghandhara Nissan Limited	Unrated	Unrated	35,131	35,131	85	173
Ghani Gases Limited	Unrated	Unrated	-	2,485,000	-	28,553
Ghani Glass Limited	Unrated	Unrated	2,746,071	261,071	28,156	12,871
Gharibwal Cement	D	Unrated	1,339,000	1,339,000	7,472	11,154
Ghulam M.Dadabhoj ( Dadabhoj Padube )	Unrated	Unrated	25,278	25,278	-	-
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	3,714,959	3,158,249	249,199	278,526
Globe Textile Mills	Unrated	Unrated	33,704	33,704	320	371
Grays Of Cambridge	Unrated	Unrated	160,985	160,985	3,703	8,048
Greaves Aircondition	Unrated	Unrated	30,080	30,080	-	-
Gul Ahmed Textile	Unrated	Unrated	-	174,034	-	5,089
Gulistan Spinning Mills	Unrated	Unrated	148,830	148,830	610	1,025
Gulistan Textile Mills	Unrated	Unrated	374,355	374,355	9,340	6,974
Gulshan Spinning Mills	Unrated	Unrated	613,190	613,190	4,078	4,292
Gypsum Corporation	Unrated	Unrated	84,176	84,176	-	-
H.Shaikh Muhammed Hussain	Unrated	Unrated	57,634	57,634	-	-
Habib Bank Limited	AA+	Unrated	5,770,198	1,801,634	612,103	219,691
Habib Bank Modaraba 1St	Unrated	AA+/A1+	1,000,000	1,500,000	7,090	12,360
Habib Metropolitan Bank	Unrated	AA+/A1+	35,765,841	29,804,868	604,085	864,043
Habib Modaraba (Ist)	AA-	Unrated	26,635	279,701	193	1,874
Habib Sugar	Unrated	Unrated	6,546,806	5,237,445	143,441	174,459
Hafiz Textile Mills	Unrated	Unrated	3,792	3,792	69	72
Haji Mohammad Ismail Mills Limited	Unrated	Unrated	1,594,650	1,594,650	1,196	1,148
Hakkim Textile Mills	Unrated	Unrated	131,445	131,445	-	66
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	-	-
Harum Textile	Unrated	Unrated	29,683	29,683	-	-
Hashimi Can Company	Unrated	Unrated	82,154	82,154	674	542
Highnoon Laboratories	Unrated	Unrated	235,065	213,696	6,664	6,184
Hinopak Motors Limited	Unrated	Unrated	259,462	259,462	18,175	34,223
Honda Atlas Car	Unrated	Unrated	2,482,754	2,482,754	21,451	28,800
Hub Power Company Limited	Unrated	AA+/A1+	15,355,718	10,166,956	525,166	380,346
Hub Power Company Limited	Unrated	AA+/A1+	57,740,000	-	1,974,708	-
Huffaz Seamless Pipe Ind.	Unrated	Unrated	694,269	694,269	5,617	10,838
Hyderabad Electronic	Unrated	Unrated	50,135	50,135	-	-
I.B.L. Modaraba (Ist)	Unrated	Unrated	727,077	727,077	1,454	1,302
I.C.C. Textiles Limited	Unrated	Unrated	84,016	84,016	38	106
I.D.B.P	Unrated	Unrated	1,011	1,011	-	-
Ibl Healthcare	Unrated	Unrated	-	150,459	-	1,235
Ibrahim Fibers	Unrated	Unrated	945,213	945,213	25,559	39,831
Ici Pakistan	Unrated	Unrated	-	1,338,795	-	193,108
Indus Bank Limited.	Unrated	Unrated	76	76	-	-
Indus Dyeing & Manuf.	Unrated	Unrated	267,362	267,362	101,683	87,748
Indus Polyester Co.	Unrated	Unrated	3	3	-	-
Innovative Invest.Bank Limited(Housing Finance )	Unrated	Unrated	17,952	17,952	-	-
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	-	-
International Industries Limited	Unrated	Unrated	6,265,792	6,220,417	238,163	372,292
International Knit Wear	Unrated	Unrated	60,716	60,716	247	540
International Steel Limited	Unrated	Unrated	2,915,478	-	33,849	-
Invest Capital Investment Bank Limited	Unrated	Unrated	3,705,680	3,705,680	741	2,890
Investec Securities Limited	Unrated	Unrated	50,205	50,205	-	-
Islamic Investment Bank	Unrated	Unrated	71,339	71,339	-	496
Itti Textile Mills	Unrated	Unrated	83,418	83,418	-	-
Jahangir Siddiqui Investment Company	Unrated	Unrated	31,405	31,405	83	210
Javed Omer Vohra & Co	Unrated	Unrated	859,960	859,960	980	3,440
Jehangir Siddiqui & Company Limited	Unrated	AA/A1+	3,228,503	3,241,903	13,011	35,337
Johnson & Phillips (Pak.) Limited	Unrated	Unrated	292,675	292,675	2,049	2,760
Js Bank Limited	Unrated	A/A1	-	10,436,696	-	26,927
Js Bank Limited Lor	Unrated	Unrated	10,436,696	3,368,056	17,221	34
Junaid Cotton Mills Limited	Unrated	Unrated	51,759	51,759	-	-
Kaisar Arts & Krafts	Unrated	Unrated	868,959	868,959	-	-
Karachi Electric Supply Corporation	Unrated	Unrated	1,869,225	1,869,225	2,991	5,253
Karachi Pipes	Unrated	Unrated	79,710	79,710	-	-
Karam Ceramics Limited	Unrated	Unrated	182,554	182,554	931	1,424
Karim Cotton Mills	Unrated	Unrated	56,285	56,285	-	-
Karim Silk Mills Limited	Unrated	Unrated	9,690	9,690	-	-
Kasb Bank	Unrated	A-/A2	760	760	1	2
<b>Balance carried forward</b>			<b>450,579,967</b>	<b>337,417,725</b>	<b>10,842,199</b>	<b>9,713,270</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2011	2010	2011	2010
----- Rupees in '000 -----						
<b>Balance brought forward</b>			<b>450,579,967</b>	<b>337,417,725</b>	<b>10,842,199</b>	<b>9,713,270</b>
Kasb Bank (Platinum Bank)	Unrated	Unrated	917,520	917,520	1,009	2,303
Kasb Modaraba	BBB+	Unrated	-	351,473	-	580
Kaytex Mills	Unrated	Unrated	-	1,208,227	-	-
Kaytex Mills (Saleem Denim Ind.)	Unrated	Unrated	82,575	82,575	78	79
Khairpur Sugar Mills Limited	Unrated	Unrated	3,088,000	3,088,000	38,507	24,550
Khurshed Spinning Mills	Unrated	Unrated	53,900	53,900	54	86
Kohat Cement Limited	Unrated	Unrated	479,941	479,941	3,988	3,100
Kohat Textile Mills Limited	Unrated	Unrated	2,926,554	2,926,554	4,156	4,097
Kohinoor ( Cotton ) Textile	Unrated	Unrated	31,935	31,935	-	-
Kohinoor Energy Limited	Unrated	Unrated	135,351	135,351	2,134	2,948
Kohinoor Industries	Unrated	Unrated	4,370	4,370	4	7
Kohinoor Looms Limited	Unrated	Unrated	86,366	86,366	-	-
Kohinoor Mills Limited	Unrated	Unrated	1,240,022	31,795	1,996	94
Kohinoor Power Co.	Unrated	Unrated	147,865	147,865	223	683
Kohinoor Sugar Mills	Unrated	Unrated	366,887	366,887	1,317	1,864
Kohinoor Textile Mills Limited	Unrated	Unrated	2,054,323	2,054,323	6,944	10,313
Kot Addu Power Company Limited	Unrated	Unrated	16,748,004	9,732,978	692,028	395,938
Ksb Pumps Co.Limited	Unrated	Unrated	1,004,638	1,004,638	24,423	60,519
Lafarge Pakistan Cement	Unrated	Unrated	2,594,936	3,927,387	4,878	12,607
Lafayette Industries Synth.	Unrated	Unrated	46,765	46,765	-	-
Leiner Pak Gelatine	Unrated	Unrated	13,900	13,900	306	207
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	188	175
Lotte Pakistan PTA Limited	Unrated	Unrated	5,800,000	-	53,766	-
Lucky Cement Limited	Unrated	Unrated	1,520,953	2,250,000	114,132	170,528
Maple Leaf Cement Limited	Unrated	D	194,819	194,819	360	559
Maqbool Textile Mills	Unrated	Unrated	833,382	849,029	6,359	7,302
Mari Gas Company Limited	Unrated	Unrated	2,915,417	1,972,334	236,149	246,483
Marr Fabrics Limited	Unrated	Unrated	60,246	60,246	-	-
Masood Textile Mills Limited	Unrated	Unrated	4,593,662	4,593,662	71,661	91,873
Mcb Bank Limited	Unrated	AA+/A1+	2,394,526	195,489	322,303	44,677
Medi Glass Limited.	Unrated	Unrated	150,404	150,404	-	-
Meezan Bank Limited	Unrated	AA-	-	6,958	-	118
Mehar Dastgir Textile	Unrated	Unrated	24,856	24,856	50	50
Mehran Bank Limited.	Unrated	Unrated	376,390	376,390	-	-
Mehran Jute Limited	Unrated	Unrated	61,931	61,931	-	-
Merit Packaging Limited	Unrated	Unrated	-	348,637	-	8,538
Metropolitan Steel Corp ( Restricted )	Unrated	Unrated	50,204	50,204	801	801
Mian Mohammad Sugar	Unrated	Unrated	87,630	87,630	-	-
Millat Tractors Limited	Unrated	Unrated	521,290	521,290	190,380	260,530
Mirpurkhas Sugar Mills	Unrated	Unrated	551,541	551,541	22,409	28,460
Mitchell'S Fruit Farms	Unrated	Unrated	286,496	286,496	23,487	21,275
Modaraba Al-Mali	Unrated	A-/A2	-	73,539	-	111
Mohib Textile Limited	Unrated	Unrated	507,080	507,080	-	-
Moonlite Pak (Blanket)	Unrated	Unrated	58,846	58,846	274	324
Morafco Limited	Unrated	Unrated	29,069	29,069	298	270
Mubarak Dairies	Unrated	Unrated	28,227	28,227	15	113
Muslim Ghee	Unrated	Unrated	181,013	181,013	-	-
Mustehkam Cement Limited	Unrated	Unrated	345,923	345,923	3,804	4,981
Mybank Limited	Unrated	Unrated	-	19,483,044	-	54,747
Myfip Videos	Unrated	Unrated	537,300	537,300	-	-
Nagina Cotton Mills Limited	Unrated	Unrated	89,498	113,499	1,351	1,835
National Asset Leasing Corporation	Unrated	Unrated	135,050	135,050	-	-
National Match Ind.	Unrated	Unrated	13,398	13,398	-	-
National Over.	Unrated	Unrated	12,471	12,471	-	-
National Refinery Limited	Unrated	AAA/A1+	513,418	1,449,398	124,601	396,831
Natover Lease & Refinance	Unrated	Unrated	371,674	371,674	-	-
Naveed Textile Mills	Unrated	Unrated	35,979	35,979	-	-
Nib (Ndc-Iffc Bank )Nib Bank Limited	Unrated	AA-/A1+	12,862,190	7,862,190	22,252	23,194
Nishat (Chunian) Limited	Unrated	A+	4,515,797	1,300,000	80,652	29,536
Nishat Chunian Power Limited	Unrated	AA-/A1+	17,801,350	19,376,860	226,967	311,774
Nishat Mills Limited	Unrated	A+/A1	11,330,410	7,757,836	458,315	497,820
Nishat Power Limited	Unrated	AA-/A1+	5,835,515	14,145,116	75,570	229,575
Noon Sugar Mills Limited	Unrated	Unrated	-	11,337	-	136
Norrie Textile Mills	Unrated	Unrated	69,557	69,557	-	-
Nowshera Engg. Works Limited	Unrated	Unrated	13,229	13,229	-	-
Nusrat Textile Mills	Unrated	Unrated	156,134	156,134	-	-
Oil And Gas Company Limited	Unrated	AAA	400,481	76,421	60,721	13,055
Olympia Spinning & Weaving	Unrated	Unrated	21,838	21,838	38	33
Olympia Textile Mills	Unrated	Unrated	-	182,618	-	365
Orix Leasing Pakistan Limited	Unrated	AA/A1+	1,689,793	1,689,793	10,730	11,609
Otsuka Pakistan	Unrated	Unrated	53,619	53,619	1,759	1,759
Pace Pakistan Limited	Unrated	D	22,364,967	17,155,335	29,074	46,834
Package Limited	Unrated	AA/A1+	2,388,163	2,388,163	197,549	307,142
Pak Datacom Limited	Unrated	Unrated	600,633	600,633	20,722	47,931
Pak Electron Limited	Unrated	A-/A2	4,599,015	4,784,450	16,051	67,174
Pak Ghee Limited	Unrated	Unrated	29,491	29,491	15	15
Pak Paper Corporation	Unrated	Unrated	52,831	52,831	-	-
Pak Suzuki Motors Limited	Unrated	Unrated	2,315,727	1,995,222	136,697	139,306
Balance carried forward			593,237,252	480,040,574	14,133,747	13,301,083



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2011	2010	2011	2010
----- Rupees in '000 -----						
<b>Balance brought forward</b>			<b>593,237,252</b>	<b>480,040,574</b>	<b>14,133,747</b>	<b>13,301,083</b>
Pakistan Engineering Company Limited	Unrated	Unrated	135,242	135,242	4,867	33,809
Pakistan Gum & Chemicals	Unrated	Unrated	49,460	49,460	2,016	1,091
Pakistan International Airlines Corporation "A-Class"	Unrated	Unrated	20,851,011	20,851,011	41,077	47,123
Pakistan International Container Terminal	Unrated	Unrated	-	1	-	-
Pakistan National Shipping Corporation	Unrated	Unrated	608,707	608,707	7,737	23,100
Pakistan Oil Fields Limited	Unrated	Unrated	727,933	1,176,601	252,192	348,227
Pakistan Paper Products Limited	Unrated	Unrated	158,144	158,144	4,865	7,453
Pakistan Petroleum Limited	Unrated	Unrated	180,644	292,545	30,406	63,526
Pakistan Refinery Limited	Unrated	Unrated	3,361,306	3,361,306	227,594	362,080
Pakistan Reinsurance Company Limited	Unrated	Unrated	6,459,182	-	100,117	-
Pakistan Services Limited	Unrated	Unrated	418,460	418,460	58,019	70,406
Pakistan State Oil	Unrated	AA+/A1+	1,920,537	759,421	436,365	224,166
Pakistan State Oil	Unrated	AA+/A1+	11,000,720	-	2,499,474	-
Pakistan Synthetics	Unrated	Unrated	-	1,353,626	-	12,318
Pakistan Telecommunication Company Limited	Unrated	Unrated	18,627,814	18,627,814	193,543	361,752
Pakistan Telephone Cables	Unrated	Unrated	45,969	45,969	100	108
Pakistan Tobacco	Unrated	Unrated	145,531	150,719	8,077	16,614
Pan Islamic Steamship	Unrated	Unrated	421	421	-	-
Pangrio Sugar	Unrated	Unrated	397,393	397,393	1,101	2,424
Paramount Spinning Mills	Unrated	Unrated	994,301	994,301	9,297	10,341
Pearl Fabrics Limited	Unrated	Unrated	117,121	117,121	-	-
Pervez Ahmed Securities Limited	Unrated	Unrated	301,925	301,925	229	646
Pioneer Cement Limited	Unrated	Unrated	27,405,714	27,405,714	90,439	185,537
Polyron Limited	Unrated	Unrated	76	76	-	-
Premium Textile Mills	Unrated	Unrated	184,889	184,889	4,208	5,232
Prosperity Weaving Mills Limited	Unrated	A-/A2	5,674	5,674	51	84
Prudential Investment Bank	Unrated	Unrated	166,278	166,278	-	-
Prudential Modaraba (Ist)	Unrated	Unrated	-	173,902	-	191
Punjab Building Limited	Unrated	Unrated	226,070	226,070	-	-
Punjab Cotton	Unrated	Unrated	28,648	28,648	-	-
Punjab Lamps	Unrated	Unrated	55,274	55,274	-	-
Punjab Modaraba (Ist)	Unrated	Unrated	595,224	595,224	476	1,036
Qayyum Spinning	Unrated	Unrated	36,653	36,653	-	-
Quality Steel Works	Unrated	Unrated	1,685	1,685	-	-
Quetta Textile Mills	Unrated	Unrated	9,686	9,686	355	368
Rcd Ball	Unrated	Unrated	10,027	10,027	-	-
Redco Textile Mills Limited	Unrated	Unrated	402,378	402,378	121	358
Regal Ceramics Limited	Unrated	Unrated	45,501	45,501	-	-
Reliance Cotton Spinning	Unrated	Unrated	-	2	-	-
Resham Textile Mills Limited	Unrated	Unrated	2,775	2,775	17	20
Rex Baren Battery	Unrated	Unrated	28,564	28,564	-	-
Rmcpl	Unrated	Unrated	13	13	-	-
Ruby Textile Mills	Unrated	Unrated	311,132	311,191	2,020	1,556
Rupali Polyester Limited	Unrated	Unrated	816,483	816,483	26,536	29,393
S.G.Power	Unrated	Unrated	164,692	164,692	77	206
Sadoon Textile Mills	Unrated	Unrated	421	421	-	-
Sahrish Textile Mills	Unrated	Unrated	10,043	10,043	-	-
Saif Mix Concrete Products	Unrated	Unrated	1,600,069	3,900,069	9,376	28,471
Saif Textile Mills Limited	Unrated	Unrated	1,075,363	1,075,363	5,366	4,839
Saitex Spinning Mills	Unrated	Unrated	182,423	182,423	-	-
Sajjad Textile Mills	Unrated	Unrated	-	151,508	-	224
Salman Noman Enterprises	Unrated	Unrated	167,606	156,642	256	783
Samba Bank Limited	A+	Unrated	6,154,267	6,154,267	8,924	12,062
Samina Textile Limited	Unrated	Unrated	1,604,838	1,604,838	6,500	9,790
Sana Industries Limited	Unrated	Unrated	172,448	137,959	6,043	6,352
Sanghar Sugar Mills	Unrated	Unrated	370,115	426,969	3,886	6,148
Sanofi - Aventis Pakistan Limited	Unrated	Unrated	-	116,932	-	16,604
Sapphire Textile Mills	A	Unrated	103,227	131,446	11,216	13,277
Sardar Chemical Ind.Limited	Unrated	Unrated	75,413	75,413	90	68
Saudi Pak.Leasing Co.	D	Unrated	1,582,673	1,582,673	760	871
Schon Textiles Mills	Unrated	Unrated	131,446	131,446	-	-
Searle Pakistan Limited	BBB+	Unrated	-	467,828	-	28,074
Security Investment Bank	A	Unrated	1,160,703	1,160,703	1,451	4,852
Security Leasing Corp.	Unrated	Unrated	-	227,802	-	460
Security Papers Limited	Unrated	Unrated	935,011	935,011	33,099	41,945
Service Fabrics Limited	Unrated	Unrated	687,561	687,561	165	206
Service Industries Limited	Unrated	Unrated	842,126	842,126	164,206	202,144
Service Textile Mills	Unrated	Unrated	82,575	82,575	41	33
Shabbir Tiles & Ceramics	Unrated	Unrated	1,801,895	1,801,895	14,505	15,280
Shadab Textile Mills	Unrated	Unrated	-	-	-	-
Shahmurad Sugar Mills Limited	BBB+	Unrated	593,895	781,593	5,826	8,566
Shahpur Textile Mills	Unrated	Unrated	200,527	200,641	32	68
Shahtaj Sugar Mills	Unrated	Unrated	408,539	408,539	36,434	32,744
Shahyar (Oe) Textile Mills	Unrated	Unrated	40,023	40,023	-	-
Shahyar Textile Mills	Unrated	Unrated	113,161	113,161	-	-
Shakarganj Mills	Unrated	D	3,666,302	3,666,302	17,672	20,275
Balance carried forward			<b>713,999,179</b>	<b>587,766,332</b>	<b>18,460,972</b>	<b>15,564,385</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2011	2010	2011	2010
----- Rupees in '000 -----						
<b>Balance brought forward</b>			<b>713,999,179</b>	<b>587,766,332</b>	<b>18,460,972</b>	<b>15,564,385</b>
Shell Gas Lpg (Burslane LPG Pakistan)	Unrated	Unrated	781,738	781,738	17,605	26,446
Shell Pakistan Limited	Unrated	Unrated	-	259,678	-	54,070
Shezan International	Unrated	Unrated	97,634	581,538	10,747	67,639
Siemens (Pakistan) Engineering Company Limited	Unrated	Unrated	681,738	514,448	720,427	644,866
Siftaq (International) Textile Mills	Unrated	Unrated	54,769	54,769	-	-
Silk Bank Limited	A-	Unrated	1,810,788	1,810,788	3,205	4,744
Sindh Alkalis Limited	Unrated	Unrated	360,212	360,212	-	-
Sindh Fine Textile Mills	Unrated	Unrated	39,603	39,603	277	277
Sitara Chemicals Industries Limited	A+	Unrated	445,814	445,814	32,188	56,953
Sitara Energy Limited	Unrated	Unrated	1,130,517	130,517	19,162	2,415
Sme Leasing Limited	BBB	Unrated	1,230,477	1,230,477	4,307	16,550
Soneri Bank Limited	Unrated	AA-/A1+	40,051,953	34,851,736	156,203	289,618
Southern Networks Limited	Unrated	Unrated	153,522	153,522	-	-
Standard Chartered Leasing Limited	Unrated	AA-/A1+	85,693	85,693	257	243
Standard Chartered Modaraba	Unrated	AA+/A1+	1,975,021	1,975,021	20,441	18,387
Sui Northern Gas Pipeline Company Limited	Unrated	AA/A1+	28,592,986	24,085,702	449,196	644,052
Sui Northern Gas Pipeline Company Limited	Unrated	AA/A1+	13,720,132	-	215,543	-
Sui Southern Gas Pipeline Company Limited	Unrated	AA-/A1+	36,090,174	14,336,708	696,179	307,092
Summit Bank Limited ( Formuly Arif Habib Bank)	Unrated	A	36,908,297	11,901,405	63,482	45,344
Sunrise Textile Mills	Unrated	Unrated	7,668	-	-	-
Sunshine Cloth Mills	Unrated	Unrated	374,721	374,721	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	498,220	498,220	-	-
Suraj Cotton Mills Limited	Unrated	Unrated	-	27,384	-	274
Suraj Ghee Limited	Unrated	Unrated	27,384	-	274	-
Syed Match Ind.	Unrated	Unrated	7,162	7,162	100	95
Taga Pakistan Limited	Unrated	Unrated	48,450	48,450	-	-
Taj Textile Mills Limited	Unrated	Unrated	763,513	763,513	191	283
Tandlianwala Sugar Limited	Unrated	Unrated	17,948	17,948	951	610
Tariq Cotton Mills	Unrated	Unrated	21,907	21,907	-	-
Tata Textile Mills	Unrated	Unrated	1,056,534	1,056,535	21,870	34,897
Tawakkal Limited	Unrated	Unrated	57,297	57,297	-	-
Tawakkal Modaraba (Ist)	Unrated	Unrated	241,827	241,827	-	-
Tele Card Limited	Unrated	Unrated	5,005,876	5,005,876	4,005	11,063
Thall Limited	Unrated	Unrated	4,522,771	2,188,145	369,963	285,006
Thatta Cement Co. Limited	Unrated	Unrated	9,859,862	7,889,430	234,172	148,952
Treet Corporation	AA-	Unrated	46,395	46,395	1,807	2,786
Trg Pakistan	Unrated	Unrated	-	0	-	-
Tri Star Modaraba (Ist)	Unrated	Unrated	151,492	151,492	167	211
Tri Star Polyester	Unrated	Unrated	-	320,778	-	334
Tri-Pack Films	Unrated	A+/A1	-	-	-	-
Turbo Tec Limited (Tubes)	Unrated	Unrated	86,788	86,788	-	-
Twakkal Garments Industries Limited	Unrated	Unrated	172,325	172,325	-	-
U.D.L. Modaraba. (Ist)	Unrated	Unrated	-	873,765	-	5,374
Unicap Modaraba.	Unrated	Unrated	178,631	178,631	54	14
Unilever (Pakistan) Limited	Unrated	Unrated	-	-	-	-
Union Insurance Co.Of Pakistan	Unrated	Unrated	156	156	-	-
United Bank Limited	AA+	Unrated	5,654,884	4,400,000	296,259	300,212
United Brands Limited (Udl Industries)	Unrated	Unrated	4,085	4,085	96	113
United Distributors Pak.	Unrated	Unrated	230,525	230,525	2,317	2,326
Unity Modaraba	Unrated	Unrated	1,000,000	1,000,000	-	-
Uqab Breeding Farms	Unrated	Unrated	70,778	70,778	-	-
Wah Noble Chemicals Limited	Unrated	Unrated	324,421	324,421	11,355	11,721
World Call Communication	Unrated	Unrated	-	-	-	-
Worldcall Telecom	Unrated	A-/A2	19,247,414	19,247,414	19,247	55,818
Yousuf Weaving Mills	Unrated	Unrated	627,427	627,427	627	941
Zafar Textiles Mills Limited	Unrated	Unrated	34,041	34,041	-	-
Zahur Cotton Mills	Unrated	Unrated	225	247,725	-	124
Zahur Textile Mills	Unrated	Unrated	210,229	210,229	-	-
Zeal Pak Cement Limited	Unrated	Unrated	247,789	247,789	-	-
Zil Limited (Zulfeqar Ind.Limited)	Unrated	Unrated	173,700	173,700	5,730	9,708
			<b>929,182,692</b>	<b>728,212,580</b>	<b>21,839,375</b>	<b>18,613,943</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1.1.2 Particulars of Investments held in un-listed companies

### 1.1.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2011	210			
----- Rupees in '000 -----									
Atlas Power Limited	Unrated	Unrated	10%	37,500,000	375,000	375,000	525,684	30-Jun-11	Maqsood A. Basra
Digri Sugar Mills Limited	Unrated	Unrated	19.1%	2,000,000	4,063	4,063	8,126	30-Sep-99	Mr. Naveed Ahmad Javeri
Fauji Akbar Portia	Unrated	Unrated	11.0%	30,726,666	321,076	307,267	231,570	30-Jun-11	Mr. Ahmed Kamal Rana
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	-	-	Mr. Hassan Zaidi
I.D.B.P.	Unrated	Unrated	Not Available	1,011	-	-	-	-	Not Available
Pakistan Agriculture Storage Service Corporation (Face value: Rs.1,000 each)	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	31-Mar-03	Maj. General Fahim Akhter Khan
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	-	-	Mr.Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr.Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	-	-	Mr. Pervaiz Alam
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	-
					<u>710,304</u>	<u>696,495</u>			

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2011	210			
----- Rupees in '000 -----								
Al Ameen Textile	Unrated	Unrated	30,000	328	328	-	-	Not Available
Al Zamin Modarba Management/Professional Management Modaraba	Unrated	Unrated	140,000	1,000	1,000	2,134	June 30, 2006	Mr. Bashir A. Chaudhry
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	200	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	-	-	Not Available
Babri Cotton Mills Limited	Unrated	Unrated	-	3,218	-	20,473	June 30, 2011	Ali Kuli Khan Khattah
Equity Participation Fund (Face value: Rs.100 each)	Unrated	Unrated	30,000	-	-	19,939	December 31, 2008	Mr. Muhammad Akhter
F.T.C. Management	Unrated	Unrated	50,000	250	250	36,174	June 30, 2011	Engr. Mir Fateh Sultan
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	27,447	June 30, 2011	Lt. Gen @ Hamid Rab Nawaz
First Women Bank Limited	Unrated	BBB+/A2	2,532,000	21,100	21,100	226,225	Dec. 31. 2010	Ms.Shafqat Sultana
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	3,116	June 30, 2011	Mr. Qasim Lakhani
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sep. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	-	-	Not Available
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
JDM Textile Mills Limited	Unrated	Unrated	-	4,784	-	43,784	June 30, 2011	Mr.LT. Gen @ Ali Kuli Khan
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778	-	-	Not Available
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-	-	-	Not Available
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	-	-	-	-	Not Available
Myfip Video Industries	Unrated	Unrated	537,300	-	-	-	-	Not Available
National Assets Insurance Limited	Unrated	Unrated	-	-	26,793	378	Dec 31, 2009	Not available
National Construction Limited	Unrated	Unrated	149,999	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	1	-	-	-	-	Not Available
National Institution of Facilitation Technology (Pvt) Limited	Unrated	Unrated	762,995	1,526	1,526	5,128	June 30, 2011	Mr. M. M. Khan
National Investment Trust (Face value: Rs.100 each)	AM-DS	Unrated	79,200	100	100	1,796	June 30, 2010	Mr. Tariq Iqbal Khan
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183	-	-	Not Available
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30,1998	Mr. Akhter Aziz Khan
Newshehra Engineering Works Limited	Unrated	Unrated	4,950	41	41	-	-	Not Available
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373	-	-	Not Available
Pakistan Textile City	Unrated	Unrated	10,000,000	100,000	100,000	76,026	June 30, 2011	Mr. Zaheer Hussain
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30,1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	1,152	Dec 31, 2009	Not available
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276	-	-	Not Available
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500	-	-	Not Available
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589	-	-	Not Available
Roush Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	650,089	June 30,2011	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750	-	-	Not Available
Rehman Cotton Mills Limited	Unrated	Unrated	1,695,700	16,958	-	107,895	June 30, 2011	Mr. LT. Gen @ Ali Kuli Khan
South Asia Regional Fund	Unrated	Unrated	5,000	287	287	-	Dec 31,07	Mr. Jean Fondaumiere
Shoab Capital	Unrated	Unrated	100,000	271	272	544	June 30,2000	Not available
SME Bank Limited	BBB	Unrated	6,121,095	26,950	26,950	50,986	31-12-2010	Mr. R. A Chughtai
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267	-	-	Not Available
Engine System	Unrated	Unrated	788,500	-	-	-	-	Not Available
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-	-	-	Not Available
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30,1997	Mr. Javed Burki
Zafar Textiles Mills Limited	Unrated	Unrated	247,100	256	256	-	-	Not Available
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330	-	-	Not Available
				<u>354,869</u>	<u>356,703</u>			



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1.2 Particulars of Investments held in units of mutual funds

	Rating		No. of shares held		Market Value	
	JCRVIS	PACRA	2011	2010	2011	2010
	----- Rupees in '000 -----					
ABL Cash Fund	Unrated	Unrated	14,616,749	-	146,314	-
AH Dow Jones Safe Pak Titans 15 Index Fund	Unrated	Unrated	600,000	600,000	29,706	34,224
AKD Cash Fund	Unrated	Unrated	2,000,000	-	20,000	-
Al Falah GHP Cash Fund	Unrated	Unrated	99,237	-	49,672	-
Asian Stock Fund	Unrated	Unrated	173,705	173,705	434	994
Askari Sovereign Cash Fund	Unrated	AA+(f)	1,470,268	-	147,747	-
Atlas Fund of Funds	-	Unrated	-	1,159,500	-	5,311
Dawood Islamic Fund	Unrated	4-Star	-	-	-	-
Dominion Stock Fund	Unrated	Unrated	80,326	80,326	-	-
Faysal Income and Growth Fund	-	Unrated	-	2,000,000	-	16,800
Faysal Savings Growth Fund	A+(f)	Unrated	32,161	25,109	3,331	2,640
First Dawood Mutual Fund	Unrated	2-Star/2-Star	-	5,842,809	-	11,686
First Habib Cash Fund	Unrated	Unrated	983,752	-	101,327	-
HBL Money Market Fund	Unrated	Unrated	487,509	-	50,301	-
IGI Income Fund	A+(f)	Unrated	484,841	-	48,814	-
Invest ec Mutual Fund	Unrated	Unrated	87,858	87,858	-	-
J.S Large Capital Fund	Unrated	Unrated	416,857	319,769	19,492	26,042
J.S. Growth Fund	Unrated	Unrated	-	5,340,372	-	29,639
J.S. Value Fund	Unrated	Unrated	1,832,764	1,832,764	7,881	8,742
Lakson Money Market Fund	Unrated	AA(f)	497,297	-	49,735	-
MCB Cash Optimizer Fund	Unrated	AA+(f)	1,940,028	-	199,590	-
Meezan Balanced Fund	Unrated	Unrated	-	5,928,500	-	44,464
NAMCO Balanced Fund	Unrated	Unrated	2,160,000	2,000,000	10,908	8,260
NIT Government Bond Fund	Unrated	Unrated	10,000,000	10,000,000	106,800	105,100
NIT Income Fund	Unrated	Unrated	29,376,653	29,376,653	316,680	309,924
Pakistan Capital Market Fund	Unrated	2-Star/3-Star	-	-	-	-
Pakistan International Element Islamic Fund	Unrated	3-Star/2-Star	-	-	-	-
Pakistan Strategic Allocation Fund	Unrated	3-Star/4-Star	3,131,319	3,131,319	24,518	26,272
PICIC Cash Fund	Unrated	Unrated	996,722	-	101,058	-
PICIC Energy Fund	Unrated	Unrated	2,133,585	2,133,585	15,191	13,996
PICIC Growth Fund	Unrated	Unrated	152,491	11,088,491	1,900	146,923
PICIC Income Fund	-	Unrated	-	524,500	-	3,362
PICIC Investment Fund	Unrated	Unrated	6,216,321	6,216,321	33,879	39,847
Reliance Income Fund	Unrated	Unrated	-	-	-	-
UBL Liquidity Plus Fund	Unrated	Unrated	974,371	-	100,068	-
Unit Trust of Pakistan	Unrated	Unrated	505,260	366,259	48,737	38,156
UTP Large Capital Fund	-	Unrated	-	96,650	-	7,871
			<b>81,696,294</b>	<b>88,423,668</b>	<b>1,758,074</b>	<b>931,378</b>

## 1.3 Particulars of Investments held in Preference shares

	Rating		Cumulative/ Non- cumulative	Rate	No. of certificates held		Market Value / Cost	
	JCRVIS	PACRA			2011	2010	2011	2010
	----- Rupees in '000 -----							
<b>Listed:</b>								
Chenab Textile Mills Limited	Unrated	Unrated	Cumulative	9.25%	10,000,000	10,000,000	17,000	25,000
Nishat Chunian Limited	Unrated	Unrated	Cumulative	15.00%	737,699	737,699	18,811	15,492
Saleem Sugar Mills	Unrated	Unrated	Cumulative	6.00%	105	105	6	6
Masood Textile Mills	Unrated	Unrated	Floating	12.65%	5,000,000	5,000,000	50,000	50,000
Maple Leaf Cement Factory	Unrated	SD	Cumulative	9.75%	112,996	112,996	542	477
Pak Elektron Limited	Unrated	A/A1	Cumulative	9.50%	10,643,642	10,643,642	124,498	106,436
Pak Elektron Limited	Unrated	A/A1	Cumulative	13.26%	2,250,000	2,250,000	22,500	22,500
<b>Unlisted:</b>					<b>28,744,442</b>	<b>28,744,442</b>	<b>233,357</b>	<b>219,911</b>
Pakistan Mercantile Exchange Limited	Unrated	Unrated	-	-	1,300,000	-	13,000	-

\* Cost of the above investment amounted to Rs. 285.26 million (2010: Rs. 272.26 million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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

### 1.4.1 Term finance certificates

#### Investee

Listed	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of shares held		Market Value	
					2011	2010	2011	2010
							Rupees in '000	
Allied Bank Ltd.	13.86% 6 months Kibor + 1.9%	Half yearly	December 6, 2014	AA-	9	4,409	45	21,620
Al-Zaming Leasing Corporation Limited	Last SBP auction of 5 years PIBS Plus 2.75% with 12.00% as floor & 15.75% as ceiling	Half yearly	September 5, 2013	C	1,030	1,030	3,863	3,863
Askari Bank Limited	13.39% 6 months Kibor + 1.5%	Half yearly	October 31, 2013	AA-	3,000	3,000	14,899	14,665
Azgard Nine Limited	15.80% 6 month Kibor + 2.4%	Half yearly	August 17, 2012	D	20,000	20,000	89,393	89,393
Bank Al-Falah Limited	15% (Fixed)	Half yearly	December 2, 2017	AA-	35,000	35,000	180,170	171,606
Bank Al-Falah Limited	14.43% 6 months Kibor + 2.5%	Half yearly	December 2, 2017	AA-	46,200	70,200	231,739	354,491
Bank Al-Habib Limited	10.00% 6 month Kibor + 1.5%	Half yearly	June 28, 2012	AA	40,000	40,000	120,725	189,203
Bank Al-Habib Limited	0.65% above cutt off yield of the last SBP auction of five year PIB's with 4.5% as floor and 9.5% as ceiling.	Half yearly	July 15, 2012	AA	-	3,000	-	14,190
Engro Fertilizer Ltd	14.37% 6 months Kibor + 2.4%	Half yearly	December 17, 2016	AA	6,000	-	30,441	-
Escorts Invest. Bank Ltd.	15.90% 6 months Kibor + 2.5%	Half yearly	March 15, 2012	BBB-/A3	6,090	6,090	6,730	15,092
Faysal Bank Ltd.	14.25% 6 months Kibor + 2.25%	Half yearly	October 11, 2017	AA-	37,800	70,000	195,384	339,422
Financial Receivable Securitization Company Limited	15.80% 6 month Kibor + 2%	Half yearly	December 27, 2013	A+	5,000	5,000	10,359	14,418
IGI Investment Bank Limited	6 month Kibor + 2.25%	Half yearly	July 11, 2011	A+(-)	-	1,190	-	1,485
NIB Bank Ltd.	14.53% 6 month Kibor + 1.15%	Half yearly	March 5, 2016	A+	11,600	31,000	56,765	150,727
Orix Leasing Pak. Ltd.	13.42% 6 months Kibor + 1.5%	Half yearly	May 25, 2012	AA+	1,400	1,400	1,129	3,329
Pak Arab Fertilizers	Six Months KIBOR plus 150 basis points with no floor & Cap	Half yearly	February 28, 2013	AA	-	690	-	3,146
Saudi Pak Leasing Co.	3% (Fixed)	Half yearly	March 13, 2013	D	10,000	10,000	22,791	25,052
Searle Pakistan Ltd.	15.38% 6 months Kibor + 2.5%	Half yearly	March 9, 2011	BBB+	-	7,800	-	4,848
Soneri Bank Limited	13.50% 6 month Kibor + 1.6%	Half yearly	March 31, 2011	A+	27,000	27,000	100,361	132,373
Sumit Bank Ltd	15.16% 6 months Kibor + 3.25%	Half yearly	November 11, 2018	A	44,898	-	215,806	-
Tele Card Limited (27-05-05)	6K + 3.75%	Half yearly	November 27, 2014	D	2,573	2,573	9,647	12,309
UBL 1st Issue	8.45% (Fixed)	Half yearly	June 26, 2012	AA	26,909	26,909	84,775	124,063
UBL 2nd Issue	9.49% (Fixed)	Half yearly	March 15, 2013	AA	6,500	6,500	30,883	28,472
UBL 3rd Issue	15.08% 6 months Kibor + 1.7%	Half yearly	September 8, 2014	AA	100	4,000	501	19,939
UBL 4th Issue	14.23% 6 Months Kibor +0.85%	Half yearly	February 14, 2018	AA	156,000	180,000	776,581	855,413
World Call Telecom	2.75% above six month KIBOR no floor & no ceiling	Half yearly	November 28, 2011	A	-	3,000	-	4,968
Invest capital investment bank limited	PIB auction held by SBP plus 2.75%	Half yearly		Unrated	1,030	1,030	3,863	3,863
							<u>2,186,850</u>	<u>2,597,950</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## Term finance certificates - Unlisted

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of shares held		Market Value	
					2011	2010	2011	2010
							Rupees in '000	
Al Abbas Holding Co Ltd. JCL- II	6 month Kibor + 2.5%	Half yearly	August 22, 2014	Unrated	5,750	5,750	503,125	503,125
Afroze Textile Industries	6 month Kibor + 5%	Quarterly	December 29, 2019	Unrated	12	-	284,000	-
Agritech Limited	6 month Kibor + 1.75%	Half yearly	January 14, 2019	D	57,000	57,000	285,000	285,000
Agro Dairies Limited	22.00%	Overdue	Overdue	Unrated	20	20	-	-
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,549	3,549
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Babri Cotton Mills	Zero Markup	Anually	December 30, 2016	Unrated	5	-	44,714	-
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	62,669	78,337
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Brother Steel Limited	22.00%	Overdue	Overdue	Unrated	17	17	3,093	3,093
Bunny's Limited	6 months Kibor + 2.5%	Overdue	December 6, 2012	Unrated	6,000	6,000	22,500	22,500
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Faisalabad Electric Supply Co. Ltd.	6 month Kibor + 0.05%	Half yearly	February 27, 2013	Unrated	30	30	-	3,000,000
Faruki Pulp Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	-
Frontier Ceramics Limited	22.00%	Overdue	Overdue	Unrated	46	46	-	1,081
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	924	924
Gujranwala Electric Power Co. Ltd.	6 month Kibor + 0.05%	Half yearly	February 27, 2013	Unrated	30	30	-	3,000,000
Gypsum Corporation Limited	22.00%	Overdue	Overdue	Unrated	10	10	900	900
Ghani Holding Co.Ltd. JCL-III	6 month Kibor + 2.5%	Half yearly	August 22, 2014	Unrated	5,750	5,750	503,125	503,125
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	16	16	511	511
Jahangir Siddiqui & Company Limited	6 month Kibor + 1.60%	Half yearly	May 17, 2014	AA	40,000	40,000	200,643	200,394
Janana De Malucho Textile Mills Ltd	Zero Markup	Anually	January 1, 2017	Unrated	11	-	76,470	-
Javedan Cement Limited	6 month Kibor + 2.50%	Overdue	October 11, 2014	Unrated	2,500	2,500	164,063	187,500
JDW Sugar Mills Limited	3 month Kibor + 1.25%	Quarterly	June 23, 2014	Unrated	40,000	40,000	109,172	162,297
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Balance carried forward							<u>2,357,775</u>	<u>8,045,654</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

**Term finance certificates - Unlisted**

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of shares held		Market Value	
					2011	2010	2011	2010
							Rupees in '000	
Balance brought forward							2,357,775	8,045,654
Kiran Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24,000	24,000	-	-
Kiran Sugar Mills Limited	3 month Kibor + 3.00%	Quarterly	July 6, 2016	Unrated			120,000	120,000
Kunjah Textile Mills Limited	6 month Kibor + 3.00%	Half yearly	April 23, 2014	Unrated	20,000	20,000	89,879	89,879
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	1,401	1,401
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,640	1,640
Munalisa Fruit Juices	-	-	-	Unrated	2	2	1,500	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	1,306	1,306
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	20	-	-
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	16	205	205
National Transmission Dispatch Co. Ltd	6 month Kibor + 1.75 %	Half yearly	March 30, 2014	Unrated	-	1,918,924	-	9,594,620
New Allied Electronic industries limited.	3 month Kibor + 1.50 %	Half yearly	December 31, 2020	Unrated			1,548,500	1,630,000
Oil & Gas Investment Limited.	6 month Kibor + 2%.	Half yearly	May 14, 2015	Unrated	188,700	188,700	940,800	943,500
Pakistan International Airlines Corp. Limited	6 month Kibor + 0.85%.	Half yearly	February 18, 2011	Unrated	594,619	594,976	2,972,500	2,973,095
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	-	1	-	95
Pak Libya Holding Co Pvt Ltd	6 month Kibor + 1.6%.	Half yearly	February 7, 2016	Unrated	50,000	-	249,960	-
Parthenon private Limited	6 month Kibor + 0.85%.	Quarterly	December 30, 2017	Unrated	1	-	1,280,486	-
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	-	16	-	401
Royal Bank of Scotland	6 month Kibor + 1.9%	Half yearly	December 29, 2012	Unrated	22,000	22,000	55,119	81,910
Pak Kuwait Investment Bank Ltd. F	6 month Kibor + 0.65%	Quarterly	February 22, 2011	Unrated	-	150,000	-	749,188
Pak Kuwait Investment Bank Ltd. G	3 month Kibor + 0.65%	Quarterly	March 23, 2011	Unrated	-	100,000	-	499,226
Pak Hy-Oil Ltd	6 months Kibor + 2.25%	Overdue	December 6, 2013	Unrated	40,000	40,000	150,000	150,000
Pak Arab Fertilizer Ltd	6 months Kibor + 2.50%	Half yearly	May 19, 2015	Unrated	900,000	900,000	3,411,285	4,538,691
Power Holding Private Ltd	6 months Kibor + 2%	Half yearly	September 18, 2014	Unrated	-	2,549,400	-	12,747,000
Power Holding A/c WAPDA	6 months Kibor + 2%	Half yearly	April 1, 2015	Unrated	-	3,000,000	-	15,000,000
Rehman Cotton Mills	Zero Markup	Anually	December 30, 2016	Unrated	10	-	90,131	-
Qand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	-	2	-	2,092
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	-	14	-	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	-	24	-	6,081
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	-	32	-	6,749
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	-	17	-	582
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	-	24	-	5,423
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	-	26	-	104
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	-	14	-	2,202
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	-	13	-	2,320
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	-	6	-	1,035
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	-	15	-	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	-	2	-	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	-	16	-	1,799
SME Leasing Limited	3 month Kibor + 1.50%	Quarterly	July 16, 2011	BBB	-	15,000	-	18,524
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	-	28	-	748
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	-	22	-	904
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	-	16	-	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	-	5	-	23,332
Turbo Tubes Limited	22.00%	Overdue	Overdue	Unrated	-	2	-	67
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	-	16	-	1,126
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	-	38	-	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	-	14	-	7,516
							<b>13,272,487</b>	<b>57,268,448</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1.4.2 Debentures

	Terms of Redemption		Rate of Interest	Cost	
	Principal	Interest		2011	2010
----- Rupees in '000 -----					
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Allied Ghee Industries Limited	Overdue	Overdue	16%	-	798
Allied Ghee Industries Limited	Overdue	-	Interest free	-	572
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	-	Interest free	15	15
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	317	317
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Damaan Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	-	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Mansoor Textile Mills	Outstanding	Outstanding	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	66
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Outstanding	Outstanding	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Outstanding	Outstanding	12.5%	200	200
Spinzer Towel Industries Limited	Outstanding	Outstanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				<u>189,354</u>	<u>190,724</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1.4.3 Participation Term Certificate

	Number of certificate(s)	Rate of interest %	Paid - up value per certificate Rupees	Cost	
				2011	2010
				-----Rupees in '000 -----	
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	448	448
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Calcium Limited	1	17%	300,000	300	300
Crystal Chemicals Limited	15	17%	259,800	3,897	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	7,303	7,303
Delta Tyre & Rubber Co.	7	17%	268,714	1,118	1,118
Frontier Ceramics Limited	10	17%	226,200	2,262	2,262
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	4,415	4,415
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Leatherite Limited	14	17%	69,643	-	727
Mass Dairies Limited	11	17%	229,364	2,523	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	3,215	3,215
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	6,472	8,585
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Sampak Paper Board Mills	11	17%	14,909	165	165
Sarela Cement Limited	35	17%	406,629	14,232	14,232
Shafi Woolen Industries Limited	11	17%	89,455	490	490
Sindh Glass Industries Limited	17	17%	598,765	9,457	9,457
Star Silica Industries Limited	15	17%	137,467	1,803	1,803
United Wood (Veener) Limited	15	17%	51,000	727	727
Waziristan Oil Industries Limited	13	17%	88,385	1,094	1,094
Zafar Oil Industries Limited	11	17%	65,455	720	720
				<u>97,225</u>	<u>100,065</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1.4.4 Investment in Sukuk

	<u>Terms of Redemption</u>		<u>Rate of Interest %</u>	<u>Market Value/Cost</u>	
	<u>Principal</u>	<u>Interest</u>		<u>2011</u>	<u>2010</u>
--- Rupees in '000---					
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	13.55% 6 month Kibor - 0.25%	1,332,917	1,310,588
WAPDA Sukuk (1st Issue)	Bi-Annual	Bi-Annual	12.30% 6 month Kibor + 0.35%	20,016	-
Quetta Textile Mills Limited	Bi-Annual	Bi-Annual	14.75% 6 month Kibor + 1.5%	330,367	348,186
PIA Corporation	Bi-Annual	Bi-Annual	13.70% 6 month Kibor + 1.75%	550,000	550,000
Maple Leaf Cement Limited	Bi-Annual	Bi-Annual	13.63% 6 months Kibor + 1.7%	4,531	3,145
<b>Islamic Banking</b>					
WAPDA Sukuk	Bi-Annual	Bi-Annual	12.27% 6 month Kibor - 0.25%	23,963	23,098
Orix Leasing	Bi-Annual	Bi-Annual	13.27% 6 month Kibor + 1.25%	6,680	19,040
Sitara Energy	Bi-Annual	Bi-Annual	15.75% 6 month Kibor + 1.95%	10,674	22,450
Security Leasing Limited	Bi-Annual	Bi-Annual	3% (Fixed)	30,924	45,703
Kohat Cement Limited	Bi-Annual	Bi-Annual	Fixed	70,744	97,589
Arzoo Textile Limited	Bi-Annual	Bi-Annual	13.95% 6 month Kibor + 2.00%	100,000	100,000
GoP Ijara Sukuk	Bi-Annual	Bi-Annual	14.06% As per SBP Publications	750,000	50,000
Engro Fertilizer Limited	Bi-Annual	Bi-Annual	14.88% 6 month Kibor + 1.50%	216,738	216,737
Sui Southren Gas Co. Limited	Quarterly	Quarterly	13.45% 3 month Kibor + 0.20%	125,386	219,945
Pakistan International Airline	Bi-Annual	Bi-Annual	13.73% 6 month Kibor + 1.75%	175,000	175,000
				<u>3,747,939</u>	<u>3,181,481</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## 1.4.5 Others Government Bond Investment

	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2011	2010
----- Rupees in '000 -----					
<b>CIRC</b>	<b>Overdue</b>	<b>Overdue</b>	<b>Six month's T-Bill auction day on the date preceding the date of payment of return 8142% rate</b>	<b>11,242</b>	<b>11,242</b>
<b>Overseas Bonds</b>					
Banco Santander	On Maturity	Bi-Annual	3.72%	-	171,769
Banco Santander	On Maturity	Bi-Annual	2.99%	-	171,769
Banco Santander	On Maturity	Bi-Annual	2.99%	-	171,769
Banco Santander	On Maturity	Bi-Annual	4.82%	-	77,790
Bank of America	On Maturity	Bi-Annual	4.50%	175,421	171,769
Bank of America	On Maturity	Bi-Annual	4.50%	195,293	171,769
Bank of America	On Maturity	Bi-Annual	6.00%	44,476	213,158
Bank of America	On Maturity	Bi-Annual	6.00%	44,476	-
Bank of America	On Maturity	Bi-Annual	6.00%	111,190	-
Barclays Bank	On Maturity	Bi-Annual	5.00%	186,306	-
Barclays Bank	On Maturity	Bi-Annual	5.00%	186,306	-
BNP Paribas	On Maturity	Bi-Annual	3.31%	226,557	214,711
Citibank	On Maturity	Bi-Annual	5.50%	93,393	85,885
Citibank	On Maturity	Bi-Annual	5.13%	185,643	-
Citibank	On Maturity	Bi-Annual	5.50%	187,746	-
Citibank	On Maturity	Bi-Annual	6.00%	213,040	-
Goldman Sachs Group	On Maturity	Bi-Annual	3.63%	174,756	-
Goldman Sachs Group	On Maturity	Bi-Annual	3.63%	174,756	-
Goldman Sachs Group	On Maturity	Bi-Annual	3.63%	87,378	-
Goldman Sachs Group	On Maturity	Bi-Annual	5.35%	92,208	-
Goldman Sachs Group	On Maturity	Bi-Annual	5.45%	157,711	-
Goldman Sachs Group	On Maturity	Bi-Annual	5.35%	189,015	-
Hong Kong and Shanghai Bank	On Maturity	Bi-Annual	5.48%	-	171,942
Lloyds TSB	On Maturity	Bi-Annual	4.38%	43,294	128,827
Lloyds TSB	On Maturity	Bi-Annual	4.38%	43,294	214,711
Lloyds TSB	On Maturity	Bi-Annual	4.88%	175,319	42,932
Lloyds TSB Bank	On Maturity	Bi-Annual	4.38%	109,729	42,932
Lloyds TSB Bank	On Maturity	Bi-Annual	4.38%	175,567	-
Merrill Lynch & Co	On Maturity	Bi-Annual	5.30%	178,797	171,769
Morgan Stanley	On Maturity	Bi-Annual	3.45%	82,809	214,711
Morgan Stanley	On Maturity	Bi-Annual	6.00%	181,331	128,827
Morgan Stanley	On Maturity	Bi-Annual	3.80%	165,436	171,769
Morgan Stanley	On Maturity	Bi-Annual	4.50%	246,151	85,885
Royal Bank of Scotland	On Maturity	Bi-Annual	4.88%	88,891	85,885
Royal Bank of Scotland	On Maturity	Bi-Annual	4.88%	88,891	85,885
Royal Bank of Scotland	On Maturity	Bi-Annual	4.88%	176,383	171,769
Royal Bank of Scotland	On Maturity	Bi-Annual	3.95%	168,310	85,885
Royal Bank of Scotland	On Maturity	Bi-Annual	3.95%	84,155	-
Societe Generale	On Maturity	Bi-Annual	2.20%	169,091	-
Societe Generale	On Maturity	Bi-Annual	2.20%	169,091	-
Societe Generale	On Maturity	Bi-Annual	2.20%	169,091	-
GoP Bonds	On Maturity	Bi-Annual	6.88%	356,031	-
GoP Bonds	On Maturity	Bi-Annual	6.88%	178,016	-
GoP Euro Bond	On Maturity	Bi-Annual	7.13%	2,685,740	3,913,826
GoP Euro Bond	On Maturity	Bi-Annual	6.88%	678,902	-
Sukuk	On Maturity	Bi-Annual	6 months SIBOR+2.5%	119,925	114,511
NB of Republic of Kazakhstan	On Maturity	Bi-Annual	1.01%	817,518	-
				<b>10,077,428</b>	<b>7,282,456</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

## STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED FROM JANUARY TO DECEMBER 2011

Annexure II as referred in Note 10.6 to the financial statements

Rupees in Million

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/Mark-up written off	Other financial relief/waiver provided	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Khair-ul-Sanat Cotton Ginners (Pvt) Ltd. Chak # 58/D-B Tail Wala Road Yazman.	Mr. Muhammad Latif 31202-0480881-3 Mr. Anjum Saeed 31202-9866700-7 Mr. Yousaf Ali 31205-1630125-5 Mrs. Shaista Bibi 31202-0233881-0	Muhammad Rafique  Muhammad Saeed Akhtar Muhammad Ali.  Muhammad Latif.	4.552	1.101	2.669	8.322	-	-	2.422	2.422
2	Hamza Karyana Store Shop No.69-B, Gulistan Colony No.2, Commercial Center No.1, Faisalabad.	Ashfaq Hussain 33100-9154366-7 Pervaiz Akhtar 33100-5120558-3	Nazir Hussain Sheikh Sheikh Nazir Hussain	1.596	0.067	0.654	2.317	-	-	0.680	0.680
3	Lyallpur Embroidery P-267, Street #18, Islam Naqar, Faisalabad.	Muhammad Ijaz, 33100-2152379-1 Qamar Saleem, 33100-6046750-1 Saif-ur-Rehman, 33100-2600346-1 Ihtisham-ul-haq, 33100-8204216-9 Muhammad Shahbaz, 33100-0989731-9	Ghulam Qadir,  Ghulam Qadir,  Ghulam Qadir,  Ghulam Qadir,	4.732	0.491	2.236	7.459	-	0.029	1.030	1.059
4	Rafiq Azam Textile 31-Chanab Market, Madina Town, Faisalabad.	Muhammad Azam, 33103-0632336-9 Muhammad Imran Azam, 33100-0654821-7 Abdul Haque, 33100-0692372-7 Muhammad Rafiq, 33100-9913612-9	Ghulam Rasool,  Muhammad Azam,  Khushi Muhammad,  Ghulam Rasool,	4.000	0.484	0.817	5.301	-	0.272	0.549	0.821
5	Muhammad Zahid Hussain Khan House # 54, Sir Syed Town, Scheme No.212/11, Faisalabad"	Muhammad Zahid Hussain Khan, 33100-1018142-1	Noor Muhammad	4.901	0.068	1.433	6.402	-	0.312	0.490	0.802
6	Niaz Muhammad House No.316-B, Gulistan Colony No.2, Faisalabad.	Niaz Muhammad, 33100-6269024-5	Khushi Muhammad	4.777	0.101	1.550	6.428	-	0.101	0.807	0.908
7	Munir & Sons Railway Road Gujrat.	Mujahid Munir NIC- 34201-0154664-9	Munir Ahmed	6.495	0.539	0.548	7.582	-	-	0.548	0.548
8	Syed Haris Bin Saeed Flat No.F-2, Ground Floor, Al-Ashan Appartment Block-II, KDA Scheme No.24, Gulshan-e-Iqbal, Karachi"	NIC- 42000-4085142-7	Syed Abu Saeed	1.915	0.595	-	2.510	-	-	0.595	0.595
9	Mr.Muhammad Sohail H.No.5 Row, No.6, Sub Block-B, Nazimabad No.4, Karachi"	NIC- 42201-0609514-5	Muhammad Tufail	5.180	1.997	0.601	7.778	-	-	1.524	1.524
10	Raheel Nafis Siddiqui H.No.C-18, Block#4, KDA Scheme No.5, Clifton, Karachi"	NIC- 42301-2174650-5	Nafees Ahmed Siddique	21.940	0.440	3.545	25.925	-	-	1.999	1.999
11	Waheed Ikram S/o Muhammad Shafi House No.D-53, Cantt. Bazar Malir Cantt. Karachi	Waheed Ikram 42501-0673668-5	Muhammad Shafi	3.600	1.536	0.837	5.973	-	0.828	-	0.828

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED FROM JANUARY TO DECEMBER 2011**

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Rupees in Million

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/Mark-up written off	Other financial relief/waiver provided	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
12	Muhammad Ali Rizvi S/o Syed Shahid Raza, D-308, 3rd Floor Crescent View Block-12, Gulistan-e- Jouhar, Karachi	Muhammad Ali Rizvi 42201-0641469-5	Syed Shahid Raza	1.000	0.095	0.534	1.629	-	0.523	-	0.523
13	Rehman Board Mills (Pvt) Ltd. 31.5 KM Raiwind Road, Lahore	Fazal Ahmed Javaid 35202-9809193-7 Sarwar Naseem 35202-2815722-0	Haji Fazal Elahi  Fazal Ahmed Javaid	3.265	1.156	2.735	7.156	-	-	1.956	1.956
14	Broadyway Carpets (Pvt) Ltd. Street No.1, 39 Nicholoso Road, Lahore.	Ghulam Haider 35202-4933376-7 Abdul Hamid 281-38-027534 Abdul Majeed 35202-2765933-1 Rashid Ahmed 35102-1024701-5 Abdul Hafeez Not available	Abdul Hamid - Haji Barkat Ali - Haji Barkat Ali - Haji Barkat Ali - Abdul Hamid	4.920	-	2.841	7.761	-	-	1.461	1.461
15	Univesal Technical Works 17 K.M. G.T. Road Momin Pura, Distt. Sheikhpura.	Tariq Nazir 35202-8218177-7 Ahsan Tariq 35202-3494339-1 Sheraz Tariq 35200-9446780-1	Nazir Ahmed - Tariq Nazir - Tariq Nazir	5.999	0.125	0.921	7.045	-	-	0.644	0.644
16	Ghansham Das Muhammadi Rice Mill Ratodero	Ghansham Das		0.239	-	0.404	0.643	0.239	-	0.404	0.643
17	Gillani Flour & General Mills 1. Registered Office: Bank Road, Muzaffarabad, AJK 2. Factory Address: Mouza Hill, Gojar Kohala, Near Kohala Bridge, Tehsil: Dhirkot, Distt: Bagh, AJK	Syed Amjad Ali Gillani 82203-8846461-1 Syed Asif Ali Gillani 82203-3237310-7 Mst. Kalsoom Fatima 82203-6090249-2	Syed Bunyad Ali Shah Syed Bunyad Ali Shah Syed Bunyad Ali Shah	6.724	3.845	-	10.569	-	-	3.845	3.845
18	Awan Electronics (Pvt) Ltd. 30-KM Raiwind Road, Lahore	Muhammad Iqbal 35202-4967479-9	Ch. Wali Muhammad	12.834	-	2.651	15.485	-	-	2.651	2.651
19	United Sugar Mills Ltd. And Pasrur Sugar Mills Ltd. 53-A, Depot Lines, Cantonment Area, Soldier Bazar, Karachi & Lahore Office: 32-N, Gulberg-II, Industrial Area, Lahore	Shaikh Abdul Wahid 42301-8051425-3 Shaikh Muhammad Saeed 42301-0869369-5 Sheikh Abdul Rauf 42201-4374272-3 Abida Saeed (Mrs.) 42301-9404381-2 Nasreen Wahid (Mrs.) 42301-489068-4 Qaiser Begum (Mrs.) 42301-8799320-2 Bilal Saeed 42301-7355556-3	Shaikh Maqbool Ahmed Shaikh Maqbool Ahmed Mian Muhammad Deen Mian Muhammad Saeed Shaikh Abdul Wahid  Shaikh Maqbool Ahmed Shaikh Muhammad Saeed	41.243	-	252.443	293.686	-	-	251.295	251.295

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED FROM JANUARY TO DECEMBER 2011**

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Rupees in Million

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Directors with NIC No.	Fathers / Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
20	D.R.S. Cotton Industries & Oil Mills Ltd. Shahdadpur, Hyderabad	Jai Parakash (Mr.) 44201-0775763-5	Daulat Raam	26.556	1.021	3.387	30.964	-	-	3.987	3.987
21	Waseem Sharif Industries Village Sharif Khan Ghawar Kalay Road Tahsil Dargai Malakand	Muhammad Ejaz 37406-4527583-3 Muhammad Ishaq 15402-0701875-5 Naila Naveed 37406-0481723-4	Muhammad Sarwar  Abdul Qasim  Muhammad Ejaz	18.702	-	6.392	23.346	11.503	-	0.154	11.657
22	Bilal Sadiq Cotton Ginning & Pressing Factory Near: By pass Mahni Sial Kabirwala	Muhammad Sadiq 36102-6000143-7 Noor Muhammad 36102-1095649-5	Muhammad Ramzan  Maher Machia	2.568	2.767	1.007	6.342	-	-	2.309	2.309
23	Rehman Fiber Opp: Railway Station Chak No.113, 10-R, Jahanian	Zahoor-ul-Haq 36101-0250878-7 Anwarul Haq 36101-0250933-1 Iftikharul Haq 36101-0556305-7	All Sons of Abdul Ghani	4.800	2.450	-	7.250	-	-	1.384	1.384
24	Ikram Solvex Inds. (Pvt) Limited 7-Kilo Meter Kusam Sir Burewala Road, Vehari	Mr. Waqar Azeem 36603-3291052-5 Mr. Muhammad Shoaib 36603-9465075-1 Mst. Naseem Ikram 36603-6047957-4 Mst. Naheed Waqar 36603-6057552-4 Mst. Fahmida Shoaib 36603-7540121-0	Ikram Ul Haq Ikram Ul Haq Ikram Ul Haq Waqar Azeem Muhammad Shoaib	5.238	3.647	5.306	14.191	-	-	2.288	2.288
			Grand Total:	197.776	21.930	294.106	512.064	11.742	2.065	283.022	296.829



# NBP PREMIUM SAVER ACCOUNT

(PLS Saving Account)

## Make Your Savings Grow

- Earn 8.50% p.a.\*
- Minimum saving balance of Rs. 20,001/- & a maximum balance of Rs. 1 million
- Free NBP Cash Card (ATM + Debit)
- Two debit withdrawals allowed in a month & no limit on number of deposit transactions

\*Profit rates are expected



# NBP

National Bank of Pakistan

The Nation's  
Bank



## NBP CORPORATE & INVESTMENT BANKING

NBP maintained its position as one of the eminent players in the vital segment during 2011, and has been successful in further strengthening its strong customer relationship with premium corporate clients.



# NBP

National Bank of Pakistan

The Nation's  
Bank

# CATEGORIES OF SHAREHOLDERS

As of December 31, 2011

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Government of Pakistan</b>			
FEDERAL GOVERNMENT OF PAKISTAN	1	4,931,952	0.29
PAKISTAN ATOMIC ENERGY COMMISSION	1	537,095	0.03
PRIVATISATION COMMISSION OF PAK MINISTRY OF PRVT. & INVEST.	1	1,309,715	0.08
<b>State Bank of Pakistan</b>			
State Bank of Pakistan	1	1,264,700,181	75.20
<b>Directors, Chief Executive Officers and their Spouses and minor children Spouses and minor children</b>			
TARIQ KIRMANI	1	34,916	0.00
<b>Associated Companies, Undertakings and Related Parties</b>			
TAURUS SECURITIES LIMITED	2	9,073	0.00
CDC - TRUSTEE NAFA STOCK FUND	1	303,274	0.02
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	309,522	0.02
<b>NIT and ICP</b>			
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	10,224,345	0.61
NATIONAL INVESTMENT TRUST LIMITED	1	1,883,490	0.11
<b>Public Sector Companies and Corporations</b>	5	40,297,867	2.40
<b>Executives</b>	50	236,511	0.02
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>	21	18,693,998	1.11
<b>Insurance Companies</b>	23	18,875,182	1.12
<b>Modarabas and Mutual Funds</b>	36	87,177,965	5.18
<b>General Public</b>			
a. Local	17,036	94,080,859	5.59
b. Foreign	127	90,537,895	5.38
<b>Others</b>	212	47,684,639	2.84
<b>Total</b>	<b>17,521</b>	<b>1,681,828,479</b>	<b>100.00</b>

# PATTERN OF SHAREHOLDINGS

As of December 31, 2011

# Of Shareholders	Shareholdings' Slab	Total Shares Held
1,697	1 to 100	79,156
3,342	101 to 500	987,165
2,325	501 to 1000	1,873,440
6,631	1001 to 5000	18,359,317
1,755	5001 to 10000	12,678,139
549	10001 to 15000	6,786,813
283	15001 to 20000	4,994,956
177	20001 to 25000	4,035,778
91	25001 to 30000	2,542,690
89	30001 to 35000	2,891,552
76	35001 to 40000	2,887,557
37	40001 to 45000	1,572,525
49	45001 to 50000	2,357,607
33	50001 to 55000	1,731,514
22	55001 to 60000	1,270,468
26	60001 to 65000	1,630,126
19	65001 to 70000	1,292,407
21	70001 to 75000	1,530,163
8	75001 to 80000	631,746
13	80001 to 85000	1,070,924
13	85001 to 90000	1,146,985
6	90001 to 95000	557,578
18	95001 to 100000	1,776,959
7	100001 to 105000	721,825
3	105001 to 110000	322,030
7	110001 to 115000	788,071
3	115001 to 120000	355,206
7	120001 to 125000	867,658
2	125001 to 130000	253,000
6	130001 to 135000	799,066
1	135001 to 140000	135,343
3	140001 to 145000	426,877
5	145001 to 150000	740,527
2	150001 to 155000	303,850
5	155001 to 160000	788,321
4	160001 to 165000	656,138
2	165001 to 170000	333,214
4	170001 to 175000	684,231
2	175001 to 180000	352,287
2	180001 to 185000	370,000
6	185001 to 190000	1,129,355
2	190001 to 195000	385,593
11	195001 to 200000	2,189,894
6	200001 to 205000	1,216,749
1	205001 to 210000	206,000
1	215001 to 220000	218,750
2	220001 to 225000	443,718
2	225001 to 230000	454,275
2	230001 to 235000	461,495
1	240001 to 245000	244,643
5	245001 to 250000	1,247,837
3	250001 to 255000	756,314
3	255001 to 260000	769,809
3	260001 to 265000	790,105



# PATTERN OF SHAREHOLDINGS

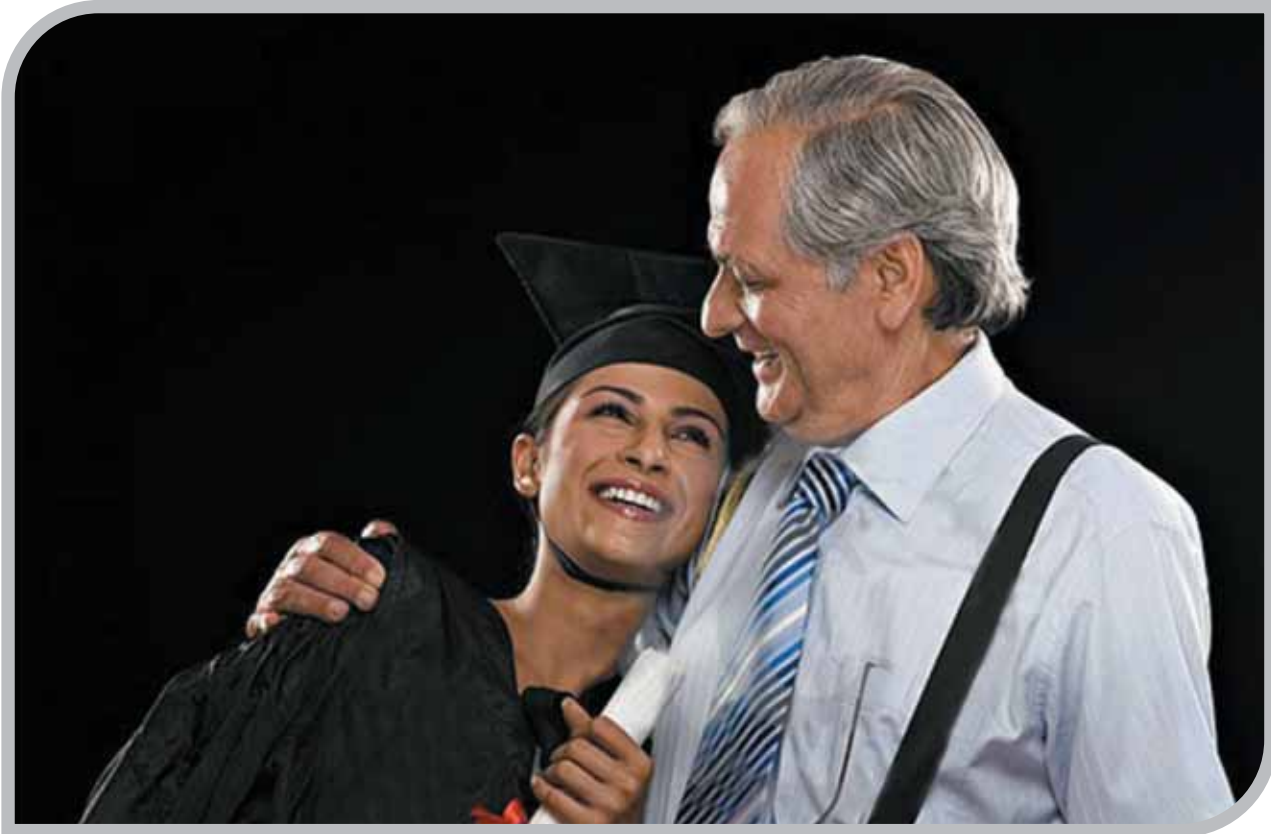
As of December 31, 2011

# Of Shareholders	Shareholdings'Slab	Total Shares Held
4	265001 to 270000	1,068,349
1	275001 to 280000	279,673
1	280001 to 285000	281,250
1	285001 to 290000	288,545
2	290001 to 295000	583,456
3	295001 to 300000	900,000
4	300001 to 305000	1,207,960
1	305001 to 310000	309,522
1	310001 to 315000	312,500
7	315001 to 320000	2,217,458
1	320001 to 325000	321,875
1	330001 to 335000	334,750
1	340001 to 345000	341,875
1	360001 to 365000	363,900
2	370001 to 375000	742,690
1	375001 to 380000	380,000
1	385001 to 390000	387,500
1	390001 to 395000	391,495
2	395001 to 400000	796,433
1	415001 to 420000	415,008
1	440001 to 445000	441,000
1	445001 to 450000	449,750
1	460001 to 465000	463,106
1	465001 to 470000	466,718
1	470001 to 475000	475,000
1	480001 to 485000	485,000
2	495001 to 500000	1,000,000
1	500001 to 505000	503,007
1	510001 to 515000	511,250
1	515001 to 520000	518,000
1	520001 to 525000	520,148
2	535001 to 540000	1,073,571
1	540001 to 545000	542,171
1	545001 to 550000	546,633
2	590001 to 595000	1,182,539
1	620001 to 625000	625,000
1	625001 to 630000	629,375
1	640001 to 645000	640,092
1	655001 to 660000	659,630
1	660001 to 665000	661,806
1	680001 to 685000	684,275
1	690001 to 695000	692,187
1	695001 to 700000	697,500
1	710001 to 715000	711,250
1	745001 to 750000	750,000
1	750001 to 755000	750,900
1	755001 to 760000	756,250
2	760001 to 765000	1,523,515
1	790001 to 795000	790,183
1	840001 to 845000	844,943
1	855001 to 860000	856,506
1	870001 to 875000	875,000
1	885001 to 890000	889,309
2	920001 to 925000	1,849,187

# PATTERN OF SHAREHOLDINGS

As of December 31, 2011

# Of Shareholders	Shareholdings' Slab		Total Shares Held
1	950001	to 955000	953,342
1	955001	to 960000	955,135
1	995001	to 1000000	999,002
1	1080001	to 1085000	1,084,666
1	1150001	to 1155000	1,154,103
1	1185001	to 1190000	1,187,500
1	1190001	to 1195000	1,192,604
1	1225001	to 1230000	1,229,502
1	1245001	to 1250000	1,250,000
1	1265001	to 1270000	1,268,126
1	1305001	to 1310000	1,309,715
1	1325001	to 1330000	1,327,806
1	1340001	to 1345000	1,340,783
1	1445001	to 1450000	1,449,071
1	1450001	to 1455000	1,453,669
1	1455001	to 1460000	1,457,500
1	1520001	to 1525000	1,522,946
1	1620001	to 1625000	1,625,000
1	1680001	to 1685000	1,684,000
1	1685001	to 1690000	1,685,777
1	1700001	to 1705000	1,705,000
1	1880001	to 1885000	1,883,490
1	1970001	to 1975000	1,972,572
1	2185001	to 2190000	2,188,201
1	2805001	to 2810000	2,808,841
1	2820001	to 2825000	2,822,500
1	3060001	to 3065000	3,061,100
1	3125001	to 3130000	3,128,878
1	3160001	to 3165000	3,162,195
1	3295001	to 3300000	3,300,000
1	3885001	to 3890000	3,888,750
1	3940001	to 3945000	3,943,875
1	3995001	to 4000000	4,000,000
1	4185001	to 4190000	4,186,751
1	4930001	to 4935000	4,931,952
1	5240001	to 5245000	5,240,223
1	5340001	to 5345000	5,342,598
1	5390001	to 5395000	5,391,305
1	5505001	to 5510000	5,509,052
1	5625001	to 5630000	5,625,012
1	5660001	to 5665000	5,663,761
1	5835001	to 5840000	5,838,247
1	6035001	to 6040000	6,039,750
1	6335001	to 6340000	6,337,113
1	8315001	to 8320000	8,315,887
1	8405001	to 8410000	8,409,226
1	8935001	to 8940000	8,939,570
1	10220001	to 10225000	10,224,345
1	21010001	to 21015000	21,013,808
1	36510001	to 36515000	36,514,762
1	68520001	to 68525000	68,522,501
1	1264700001	to 1264705000	1,264,700,181
17,521			1,681,828,479



# NBP ADVANCE SALARY

(Take Upto 20 Times of Your Take Home Salary )

## Personal Loan

- Easy installments of 1 to 60 months at your choice
- No minimum income, collateral & insurance charges required
- Quick processing and fastest disbursement
- For permanent employees of Government, Semi Government and autonomous bodies receiving salaries through NBP



**NBP**

National Bank of Pakistan

*The Nation's  
Bank*



## NBP KISAN DOST (Agriculture Financing Program)

### Agriculture Financing Program

- Competitive mark-up rate
- Quick & easy processing
- Provision of technical guidance to farmers at their doorstep
- Wide range of financing schemes for farmers
- Finance facility is also available for landless farmers
- Financing available against Pass Book, Residential / Commercial property, Gold ornaments and paper security
- Loan facility on revolving basis for three years with cleanup in once a year



**NBP**

National Bank of Pakistan

