

**United Bank Limited**  
*CONSOLIDATED FINANCIAL STATEMENTS*  
*AS AT DECEMBER 31, 2011*



**BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS**

**ERNST & YOUNG FORD RHODES SIDAT HYDER  
CHARTERED ACCOUNTANTS**

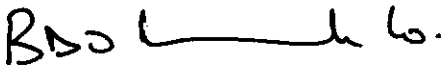
**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of United Bank Limited (the Bank) 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, for the year then ended. These financial statements include unaudited certified returns from the branches, except for forty branches which have been audited by us and seventeen branches audited by auditors abroad. We have also expressed separate opinion on the financial statements of United Bank Limited. The financial statements of United Executors and Trustees Company Limited and UBL Fund Managers Limited were audited by BDO Ebrahim & Co., Chartered Accountants while the financial statements of the remaining subsidiary companies were audited by other firms of auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such auditors.

These financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. 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 misstatements. 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 the 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 the financial position of the Bank and its subsidiary companies as at December 31, 2011 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



**BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS**



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**Audit Engagement Partner  
Zulfikar Ali Causer**

**Audit Engagement Partner  
Shabbir Yunus**

**Date: February 21, 2012**

**Karachi**



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011

	Note	2011 ----- (Rupees in '000) -----	2010
<b>ASSETS</b>			
Cash and balances with treasury banks	6	86,502,444	67,667,226
Balances with other banks	7	19,225,488	26,430,928
Lendings to financial institutions	8	9,536,211	11,934,778
Investments	9	301,106,877	231,717,214
Advances			
Performing	10	329,962,911	326,441,450
Non-performing - net of provision	10	11,176,608	15,068,962
		341,139,519	341,510,412
Operating fixed assets	11	25,722,481	24,684,566
Deferred tax asset - net	12	1,991,667	1,298,247
Other assets	13	21,980,101	21,179,180
		807,204,788	726,422,551
<b>LIABILITIES</b>			
Bills payable	15	5,879,043	5,074,700
Borrowings	16	50,845,877	47,631,814
Deposits and other accounts	17	633,889,416	567,611,258
Subordinated loans	18	11,317,080	11,985,748
Deferred tax liability - net		-	-
Other liabilities	19	19,352,726	18,984,851
		721,284,142	651,288,371
<b>NET ASSETS</b>		<b>85,920,646</b>	<b>75,134,180</b>
<b>REPRESENTED BY:</b>			
Share capital	20	12,241,798	12,241,798
Reserves		27,495,959	24,101,838
Unappropriated profit		34,207,654	27,576,333
Total equity attributable to the equity holders of the Bank		73,945,411	63,919,969
Non-controlling interest		2,324,385	2,207,241
		76,269,796	66,127,210
Surplus on revaluation of assets - net of deferred tax	21	9,650,850	9,006,970
		85,920,646	75,134,180
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

The annexed notes from 1 to 48 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari  
President and  
Chief Executive Officer

Seerat Asghar  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
Mark-up / return / interest earned	24	71,374,143	60,046,011
Mark-up / return / interest expensed	25	<u>31,339,401</u>	<u>25,207,785</u>
Net mark-up / interest income		40,034,742	34,838,226
Provision against loans and advances - net	10.4	<u>6,195,439</u>	<u>6,838,336</u>
Provision against lendings to financial institutions	8.5	345,858	-
Provision for diminution in value of investments - net	9.3	412,115	304,026
Bad debts written off directly	10.5	<u>340,416</u>	<u>1,007,896</u>
		7,293,828	8,150,258
Net mark-up / return / interest income after provisions		<u>32,740,914</u>	<u>26,687,968</u>
<b>Non Mark-up / Interest Income</b>			
Fee, commission and brokerage income		<u>7,783,049</u>	<u>7,021,661</u>
Dividend income		296,949	133,962
Income from dealing in foreign currencies		2,267,544	1,734,651
Gain on sale of securities - net	26	509,750	188,164
Unrealized loss on revaluation of investments classified as held for trading	9.4	(32,241)	(33,214)
Other income	27	<u>2,402,985</u>	<u>1,539,261</u>
Total non mark-up / return / interest income		<u>13,228,036</u>	<u>10,584,485</u>
		45,968,950	37,272,453
<b>Non Mark-up / Interest Expenses</b>			
Administrative expenses	28	<u>21,232,844</u>	<u>19,137,857</u>
Other provisions / write offs - net	29	226,204	68,113
Workers' Welfare Fund	30	514,621	414,833
Other charges	31	<u>104,939</u>	<u>240,391</u>
Total non mark-up / interest expenses		22,078,608	19,861,194
Share of (loss) / income of associates		<u>(256,706)</u>	<u>277,364</u>
<b>Profit before taxation</b>		<u>23,633,636</u>	<u>17,688,623</u>
Taxation - Current	32	<u>8,967,803</u>	<u>6,850,854</u>
- Prior years	32	681,560	415,329
- Deferred	32	<u>(902,839)</u>	<u>(598,485)</u>
		8,746,524	6,667,698
<b>Profit after taxation</b>		<u>14,887,113</u>	<u>11,020,925</u>
<b>Attributable to:</b>			
Equity shareholders of the Bank		14,854,785	11,031,630
Non-controlling interest		<u>32,328</u>	<u>(10,705)</u>
		<u>14,887,113</u>	<u>11,020,925</u>
----- (Rupees) -----			
<b>Earnings per share - basic and diluted</b>	33	<u>12.13</u>	<u>9.01</u>

The annexed notes from 1 to 48 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari  
President and  
Chief Executive Officer

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Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>Profit after tax for the year attributable to:</b>		
Equity shareholders of the Bank	14,854,785	11,031,630
Non-controlling interest	<u>32,328</u>	<u>(10,705)</u>
	14,887,113	11,020,925
<b>Other comprehensive income / (loss):</b>		
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	<u>1,766,247</u>	<u>615,495</u>
- Non-controlling interest	<u>84,816</u>	<u>(30,568)</u>
	1,851,063	584,927
Net gain on cash flow hedges	<u>103,319</u>	<u>118,866</u>
Related deferred tax liability on cash flow hedges	<u>(36,162)</u>	<u>(41,603)</u>
	67,157	77,263
	<u>1,918,220</u>	<u>662,190</u>
<b>Comprehensive income transferred to equity - net of tax</b>	<u><u>16,805,333</u></u>	<u><u>11,683,115</u></u>

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 48 and annexures form an integral part of these consolidated financial statements.

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Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		23,633,636	17,688,623
Less: Dividend income		(296,949)	(133,962)
Add / (Less): Share of loss / (profit) of associates		256,706	(277,364)
		<u>23,593,394</u>	<u>17,277,297</u>
Adjustments:			
Depreciation		1,329,813	1,576,984
Amortization		304,526	224,017
Workers' Welfare Fund		514,621	414,833
Provision for retirement benefits		410,432	7,927
Provision against loans and advances		6,195,439	6,838,336
Provision against lendings to financial institutions		345,858	-
Provision for diminution in value of investments		412,115	304,026
Reversal of provision in respect of investments disposed off during the year		(335,634)	(340,488)
Provision against off balance sheet items		4,144	-
Gain on sale of fixed assets		(39,679)	(16,248)
Bad debts written-off directly		340,416	1,007,896
Amortization of cash flow hedge reserve		103,319	118,866
Unrealized loss on revaluation of investments classified as held for trading		32,241	33,214
Finance charges on leased assets		-	147
Provision against other assets		89,935	68,113
		<u>9,707,546</u>	<u>10,237,623</u>
		33,300,940	27,514,920
Decrease / (Increase) in operating assets			
Lendings to financial institutions		2,052,709	11,227,352
Held for trading securities		15,343,074	(12,521,604)
Advances		(6,164,962)	12,722,952
Other assets (excluding advance taxation)		(1,409,162)	(2,085,878)
		<u>9,821,659</u>	<u>9,342,822</u>
(Decrease) / Increase in operating liabilities			
Bills payable		804,343	(91,661)
Borrowings		3,214,063	10,463,537
Deposits and other accounts		66,278,158	63,779,586
Other liabilities (excluding current taxation)		(328,905)	2,575,258
		<u>69,967,659</u>	<u>76,726,720</u>
		113,090,258	113,584,462
Staff retirement benefits (paid) / received		(265,004)	986,402
Income taxes paid		(9,071,808)	(8,963,257)
<b>Net cash flow from operating activities</b>		<u>103,753,446</u>	<u>105,607,607</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in securities		(85,045,686)	(81,899,081)
Dividend income received		706,062	490,012
Investment in operating fixed assets		(2,349,666)	(2,393,600)
Sale proceeds from disposal of property and equipment		116,216	107,228
<b>Net cash outflow from investing activities</b>		<u>(86,573,074)</u>	<u>(83,695,441)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayments of subordinated loans		(668,668)	(4,052)
Payments in respect of lease obligations		-	(611)
Dividends paid		(6,732,989)	(4,006,407)
<b>Net cash used in financing activities</b>		<u>(7,401,657)</u>	<u>(4,011,070)</u>
Exchange adjustment on translation of net assets attributable to non-controlling interest		84,816	(30,568)
Exchange differences on translation of net investment in foreign branches and subsidiaries		1,766,247	615,495
<b>Increase in cash and cash equivalents</b>		<u>11,629,778</u>	<u>18,486,023</u>
Cash and cash equivalents at beginning of the year		94,098,154	75,612,131
Cash and cash equivalents at end of the year	34	<u><u>105,727,932</u></u>	<u><u>94,098,154</u></u>

The annexed notes from 1 to 48 and annexures form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011**

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserves			Employee stock option reserve	Unappropriated profit			Sub total
			Exchange translation reserve	Reserve for issue of bonus shares	Cash flow hedge reserve						
(Rupees in '000)											
Balance as at January 01, 2010	11,128,907	3,000	12,221,570	9,149,799	-	(206,415)	-	23,617,875	55,914,736	2,279,691	58,194,427
<b>Transactions with owners recorded directly in equity</b>											
Final cash dividend for the year ended December 31, 2009 declared subsequent to year end at Rs.2.5 per share	-	-	-	-	-	-	-	(2,782,227)	(2,782,227)	-	(2,782,227)
Transfer to reserve for issue of bonus shares	-	-	-	1,112,891	-	-	-	(1,112,891)	-	-	-
Issue of bonus shares	1,112,891	-	-	(1,112,891)	-	-	-	-	-	-	-
Interim cash dividend for the half year ended June 30, 2010 declared at Re.1.0 per share	-	-	-	-	-	-	-	(1,224,180)	(1,224,180)	-	(1,224,180)
<b>Total comprehensive income for the year 2010</b>	1,112,891	-	-	-	-	-	-	(5,119,298)	(4,006,407)	-	(4,006,407)
Profit after taxation for the year ended December 31, 2010	-	-	-	-	-	-	-	11,031,630	11,031,630	(10,705)	11,020,925
Other comprehensive income - net of tax	-	-	-	615,495	-	77,263	-	-	692,758	(30,568)	662,190
<b>Total comprehensive income</b>	-	-	-	615,495	-	77,263	-	11,031,630	11,724,388	(41,273)	11,683,115
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	256,075	256,075	-	256,075
Preferred dividend relating to non-controlling shareholders	-	-	-	-	-	-	-	31,177	31,177	(31,177)	-
Transfer to statutory reserve	-	-	2,241,126	-	-	-	-	(2,241,126)	-	-	-
<b>Balance as at December 31, 2010</b>	12,241,798	3,000	14,462,696	9,765,294	-	(129,152)	-	27,576,333	63,919,969	2,207,241	66,127,210
<b>Transactions with owners recorded directly in equity</b>											
Final cash dividend for the year ended December 31, 2010 declared subsequent to year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend for the half year ended June 30, 2011 declared at Rs.1.5 per share	-	-	-	-	-	-	-	(1,836,270)	(1,836,270)	-	(1,836,270)
Employee stock option reserve	-	-	-	-	-	-	1,199	-	1,199	-	1,199
<b>Total comprehensive income for the year 2011</b>	-	-	-	-	-	-	1,199	(6,732,989)	(6,731,790)	-	(6,731,790)
Profit after taxation for the year ended December 31, 2011	-	-	-	-	-	-	-	14,854,785	14,854,785	32,328	14,887,113
Other comprehensive income - net of tax	-	-	-	1,766,247	-	67,157	-	-	1,833,404	84,816	1,918,220
<b>Total comprehensive income</b>	-	-	-	1,766,247	-	67,157	-	14,854,785	16,688,189	117,144	16,805,333
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	69,043	69,043	-	69,043
Transfer to statutory reserve	-	-	1,559,518	-	-	-	-	(1,559,518)	-	-	-
<b>Balance as at December 31, 2011</b>	12,241,798	3,000	16,022,214	11,531,541	-	(61,995)	1,199	34,207,654	73,945,411	2,324,385	76,269,796

Appropriations made by the Directors subsequent to the year ended December 31, 2011 are disclosed in note 46 to these consolidated financial statements.

The annexed notes from 1 to 48 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari  
President and  
Chief Executive Officer

Seerat Asghar  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**1. STATUS AND NATURE OF BUSINESS**

The "Group" consists of:

- Holding Company

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,218 (December 31, 2010: 1,124) branches inside Pakistan including 14 (December 31, 2010: 6) Islamic Banking branches and 1 (December 31, 2010: 1) branch in Karachi Export Processing Zone. The Bank also operates 17 (December 31, 2010: 17) branches outside Pakistan as at December 31, 2011.

The Bank's Ordinary shares are listed on all three stock exchanges in Pakistan. Its Global Depository Receipts (GDRs) are on the list of the UK Listing Authority and the London Stock Exchange Professional Securities Market. These GDRs are also eligible for trading on the International Order Book System of the London Stock Exchange. Further, the GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the US Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

- Subsidiary companies

- United National Bank Limited (UNBL), UK - 55 percent holding

UNBL is an authorized banking institution incorporated in the United Kingdom and regulated by the Financial Services Authority (FSA). The Bank was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank Limited. The principal activities of UNBL are to provide retail banking products through its branch network in major cities of the UK, wholesale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes.

- United Bank AG (Zurich), Switzerland - 100 percent holding

United Bank AG (Zurich) is a commercial bank owned by the Bank. Founded in 1967, its main activities are in credit operations and related trade financing.

- United Executors and Trustees Company Limited, Pakistan - 100 percent holding

United Executors and Trustees Company Limited ("the Company") was incorporated in Pakistan in 1965 as an unlisted public limited company. The registered office of the Company is situated at State Life Insurance Building No. 1, I.I. Chundrigar Road, Karachi. Currently, the Company is engaged in the business of investments.

- UBL Fund Managers Limited, Pakistan - 100 percent holding

UBL Fund Managers Limited was incorporated as a public limited company in Pakistan under the Companies Ordinance, 1984 on April 03, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The principal activities of the Company are floating and managing mutual funds and providing investment advisory services. The registered office of the Company is situated at 8th Floor, State Life Building No. 1, I. I. Chundrigar Road, Karachi.



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**2. BASIS OF PRESENTATION**

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.
- 2.2** The financial results of the Islamic Banking branches of the Group have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 45 to these consolidated financial statements.

**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 International Financial Reporting Standards (IFRSs) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the said directives prevail.
- 3.2** The SBP, vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

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

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IAS 12 - Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	January 01, 2012
IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)	July 01, 2012
IFRS 10 - Consolidated Financial Statements	January 01, 2013

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013
IAS 19 - Employee Benefits (Amendments 2011)	January 01, 2013
IAS 27 - Separate Financial Statements (2011)	January 01, 2013
IAS 28 - Investments in Associates and Joint Ventures (2011)	January 01, 2013

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards, with the exception of the amendments to IAS 19, will not affect the Group's financial statements in the period of initial application.

With respect to the amendments to IAS 19, the Group is currently assessing the impact of the amendments which are effective from January 01, 2013. It is expected that the adoption of the said amendments will result in a change in the Group's accounting policy related to recognition of actuarial gains and losses as referred to in notes 5.11.1 and 5.11.3 to the consolidated financial statements.

**4. BASIS OF MEASUREMENT**
**4.1 Accounting convention**

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

**4.2 Critical accounting estimates and judgments**

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of its accounting policies are as follows:

- i) classification of investments (notes 5.5 and 9)
- ii) provision against investments (notes 5.5 and 9.3) and advances (notes 5.6, 10.4)
- iii) income taxes (notes 5.9 and 32)
- iv) staff retirement benefits (note 5.11 and 36)
- v) fair value of derivatives (note 5.16.2 and 19.4)
- vi) operating fixed assets, depreciation and amortization (note 5.7 and 11)
- vii) impairment (note 5.8)

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****5.1 Basis of consolidation**

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies.

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

The financial statements of subsidiaries are prepared for same reporting period as the Holding Company using consistent accounting policies except for non-banking subsidiaries in Pakistan which follow the requirements of IAS 39 and IAS 40, and overseas subsidiaries which are required to comply with local regulations enforced within the respective jurisdictions.

The assets and liabilities of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying value of the Bank's investment in the subsidiaries is eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

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

All material intra-group balances and transactions have been eliminated.

**5.2 Significant accounting policies**

The Group has adopted the following new and amended IFRSs and related interpretations which became effective during the year. Other than these, the accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards, amendments and interpretations did not have a material effect on the financial statements.

**5.3 Cash and cash equivalents**

Cash and cash equivalents for the purpose of the cash flow statement represent cash and balances with treasury banks and balances with other banks.

**5.4 Lendings to / borrowings from financial institutions**

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****5.4.1 Purchase under resale agreements**

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

**5.4.2 Sale under repurchase agreements**

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential in sale and repurchase value is accrued over the period of the agreement and recorded as an expense.

**5.5 Investments**

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

**Held for trading**

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

**Held to maturity**

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

**Available for sale**

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

**Initial measurement**

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

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

**Subsequent measurement****Held for trading**

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****Held to maturity**

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

**Available for sale**

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

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

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

**Associates**

Associates are entities over which the Group has a significant influence, but control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for UBL Insurers Limited, Oman United Exchange Company Limited and its investments in mutual funds managed by UBL Fund Managers Limited.

**5.6 Advances**

Advances are stated net of specific and general provisions which are charged to the profit and loss account. Specific provisions against domestic advances and general provisions against domestic consumer loans are determined on the basis of the Prudential Regulations and other directives issued by the SBP. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the monetary agencies and the regulatory authorities of the respective countries. If circumstances warrant, the Group, from time to time, makes general provisions against weaknesses in its portfolio on the basis of management's estimation. Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry without prejudice to the Group's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

**5.7 Operating fixed assets and depreciation****5.7.1 Owned**

Property and equipment, other than land (which is not depreciated) and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. The cost of property and equipment of foreign branches and subsidiaries includes exchange differences arising on currency translation at the year-end rates of exchange.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

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

Gains and losses on sale of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

**5.7.2 Leased (Ijarah)**

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 term of the lease.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

**5.7.3 Intangible assets**

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

**5.8 Impairment****Impairment in available for sale equity investments**

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

**Impairment in investments in associates**

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****Impairment in non-financial assets (excluding deferred tax)**

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

**5.9 Taxation****5.9.1 Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes, where considered necessary, adjustments relating to prior years, arising from assessments made during the year.

**5.9.2 Deferred**

Deferred tax is recognized using the liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Group also records a deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted as at the statement of financial position date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of the deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Bank also recognizes a deferred tax asset / liability on the cash flow hedge reserve and on the deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of the revised IAS 12, Income Taxes.

**5.10 Provisions**

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Group to settle the obligation. The provision is charged to the profit and loss account net of expected recovery and the provision is classified under other liabilities.

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****5.11 Staff retirement and other benefits****5.11.1 The Bank**

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

- a) For new employees and for those who opted for the new scheme introduced in 1991, the Bank operates
  - an approved contributory provident fund (defined contribution scheme); and
  - an approved gratuity scheme (defined benefit scheme).
- b) For employees who have not opted for the new scheme introduced in 1991, the Bank operates
  - an approved non-contributory provident fund in lieu of the contributory provident fund; and
  - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

In 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For defined contribution schemes, the Bank pays contributions to the fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction of future payments is available.

**Other benefits****a) Employee compensated absences**

The Bank makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

**b) Post retirement medical benefits (defined benefit scheme)**

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial advice under the Projected Unit Credit Method.

**c) Employee motivation and retention scheme**

The Bank operates a long term motivation and retention scheme for its employees with the objective of rewarding, motivating and retaining its high performing executives and officers. The liability of the Bank is fixed, determined each year based on the performance of the Bank.

**Actuarial gains and losses**

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are accounted for using a "corridor" which is the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation at the end of the last reporting year. These limits are calculated and applied separately for each defined benefit plan. Actuarial gains and losses in excess of the "corridor" are charged or credited to the profit and loss account over the employees' expected average remaining working lives.

Actuarial gains and losses pertaining to long term compensated absences are recognized immediately.



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**5.11.2 United National Bank Limited (UNBL)**
**Defined benefit scheme**

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members and the accrual of benefits has ceased from January 01, 2010. Gains and losses on settlements and curtailments are charged to the profit and loss account. The interest cost and the expected return on assets are included in other liabilities and other assets. Actuarial gains and losses are recognised immediately in the profit and loss account.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of UNBL, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured based on actuarial valuations using the Projected Unit Credit Method. The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

**Defined contribution scheme**

UNBL operates a defined contributory pension scheme. The contribution payable in the year in respect of pension costs and other post retirement benefits is charged to the profit and loss account. Differences between the contribution payable in the year and contribution actually paid are shown as either accruals or prepayments in the statement of financial position.

**5.11.3 UBL Fund Managers Limited (UFML)**
**Defined benefit plan**

UFML operates an approved funded gratuity scheme for all employees. Annual contributions to the fund are made on the basis of actuarial advice using the Projected Unit Credit Method. The net cumulative actuarial gains / losses, in excess of the "corridor" are recognised in the profit and loss account over the expected remaining average working lives of the employees.

**Defined contribution plan**

UFML operates an approved contributory provident fund (defined contribution scheme) for all eligible employees.

**Employee Stock Option Scheme**

UBL Fund Managers has provided an incentive scheme for its top performing employees in the form of share options under the policy of Employee Stock Option Scheme (ESOS). The policy has been approved by Securities and Exchange Commission of Pakistan as per which options were granted under Phase I of this Scheme to Eligible Employees.

**5.11.4 United Bank AG (Zurich) (UBAG)**

UBAG maintains a contribution-oriented pension scheme for employees who have reached the age of 25. It bears a large share of the costs of the occupational pension plan for all employees as well as their surviving dependants pursuant to legal requirements. The employee benefit obligations and the assets serving as coverage are outsourced to a collective insurance firm. The organization, management and financing of the pension plan comply with the legal regulations, the deed of foundation and the applicable regulations of the benefit plan.

**5.12 Subordinated loans**

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

**5.13 Borrowings / deposits**

- a) Borrowings / deposits are recorded at the proceeds received.
- b) The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****5.14 Revenue recognition**

Revenue is recognized to the extent that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

**5.14.1 Advances and investments**

Mark-up / return on performing advances and investments is recognized on a time proportionate basis over the term of the advances and investments. Where debt securities are purchased at premium or discount, such premium or discount is amortized through the profit and loss account over the remaining period of maturity.

Interest or mark-up recoverable on non-performing advances and classified investments is recognized on a receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognized when received or as required by the regulatory authorities of the countries in which the Group operates, except where, in the opinion of the management, it would not be prudent to do so.

**5.14.2 Dividend income**

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

**5.14.3 Fee, brokerage and commission**

Fee, brokerage, commission and other income is recognized on an accrual basis.

**5.14.4 Grants**

Grants received for revenue expenditure are recorded as income upon utilization.

**5.15 Foreign currencies****5.15.1 Functional and presentation currency**

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

**5.15.2 Foreign currency transactions**

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

**5.15.3 Foreign operations and subsidiaries**

The assets and liabilities of foreign operations and subsidiaries are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations and subsidiaries are translated at the average rate of exchange for the year.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****5.15.4 Translation gains and losses**

Translation gains and losses are taken to the profit and loss account, except those arising on translation of the net investment in foreign branches and subsidiaries which are taken to capital reserves (Exchange Translation Reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

**5.15.5 Contingencies and commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in the consolidated financial statements at contracted rates. Contingent liabilities / commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

**5.16 Financial instruments****5.16.1 Financial assets and liabilities**

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

**5.16.2 Derivative financial instruments**

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

**5.16.3 Hedge accounting**

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group may undertake a hedge. The Group applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to be offset by between 80% to 125%.

**Cash flow hedges**

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled to the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****5.16.4 Off setting**

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

**5.17 Segment reporting**

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

**5.17.1 Business segments****(a) Corporate finance**

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

**(b) Trading and sales**

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

**(c) Retail banking**

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

**(d) Commercial banking**

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

**(e) Asset management**

Asset management includes discretionary and non-discretionary fund management activities in the form of pooled, segregated, retail, institutional, private equity, open, close ended funds etc.

**(f) Others**

Others includes functions of the Group and subsidiaries which cannot be classified in any of the above segments.

**5.17.2 Geographical segments**

The Group operates in five geographical regions being:

- Pakistan
- Karachi Export Processing Zone
- United States of America
- Middle East
- Europe

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**5.18 Dividends and appropriations to reserves**

Dividends and appropriations to reserves are recorded in the year in which these are approved, except appropriations required by law which are recorded in the period to which they pertain.

**5.19 Earnings per share**

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		19,497,875	11,680,346
Foreign currency		3,539,057	2,594,433
		23,036,932	14,274,779
With State Bank of Pakistan in			
Local currency current accounts	6.1	21,787,307	22,362,478
Local currency deposit accounts		3,864	3,864
Foreign currency current accounts	6.2	1,317,252	1,287,860
Foreign currency deposit account	6.3	3,857,969	3,781,588
		26,966,392	27,435,790
With other central banks in foreign currency current accounts	6.4	14,157,504	12,111,644
With National Bank of Pakistan in local currency current accounts		22,250,603	13,798,332
National Prize Bonds		91,013	46,681
		<u>86,502,444</u>	<u>67,667,226</u>

**6.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**6.2** This represents a US Dollar Settlement Account maintained with the SBP and includes current accounts maintained with the SBP to comply with the statutory requirements issued from time to time.

**6.3** This represents special cash reserve requirement maintained with the SBP. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2011, carries mark-up at the rate of 0% (2010: 0%) per annum.

**6.4** Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>7. BALANCES WITH OTHER BANKS</b>			
Inside Pakistan			
In current accounts		21,592	-
In deposit accounts	7.1	2,004,265	451,609
		2,025,857	451,609
Outside Pakistan			
In current accounts		4,689,998	5,277,503
In deposit accounts	7.1	12,509,632	20,701,816
		17,199,630	25,979,319
		<u>19,225,488</u>	<u>26,430,928</u>

**7.1** These carry mark-up at rates ranging from 0.40% to 12% (2010: 0.10% to 12.5%) per annum.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.2	130,000	-
Repurchase agreement lendings	8.3	-	4,431,877
Other lendings to financial institutions	8.4	<u>9,762,848</u>	<u>7,502,901</u>
		9,892,848	11,934,778
Provision against lendings to financial institutions	8.5	<u>(356,637)</u>	-
		<u><u>9,536,211</u></u>	<u><u>11,934,778</u></u>

**8.1 Particulars of lendings to financial institutions**

In local currency	1,860,820	6,016,878
In foreign currencies	<u>8,032,028</u>	<u>5,917,900</u>
	<u><u>9,892,848</u></u>	<u><u>11,934,778</u></u>

**8.2** These are unsecured lendings carrying mark-up at rates ranging from 12.25% to 13.15% per annum (2010: Nil) and are due to mature latest by March 2012.

**8.3 Securities held as collateral against repurchase agreement lendings**

	2011			2010		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	-	-	-	2,881,877	-	2,881,877
Pakistan Investment Bonds	-	-	-	650,000	900,000	1,550,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,531,877</u>	<u>900,000</u>	<u>4,431,877</u>

**8.4** Lendings pertaining to domestic operations carry mark-up at rates ranging from 13.47% to 15.65% per annum (2010: 3.00% to 15.34% per annum) and are due to mature latest by November 2014, whereas lendings pertaining to overseas operations carry mark-up at rates ranging from 0.06% to 4.30% per annum (2010: 0.75% to 3.8% per annum) and are due to mature latest by December 2012.

**8.5** This represents provision made against lendings to financial institutions with movement as follows:

	2011 ----- (Rupees in '000) -----	2010
Opening balance	-	-
Charged during the year	345,858	560,852
Exchange adjustments	10,779	-
Transferred during the year	-	<u>(560,852)</u>
Closing balance	<u><u>356,637</u></u>	<u><u>-</u></u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**9. INVESTMENTS**
**9.1 Investments by types**

Note	2011			2010		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----						
<b>Held for trading securities</b>						
Market Treasury Bills	692,705	-	692,705	12,984,400	1,189,144	14,173,544
Pakistan Investment Bonds	-	-	-	805,257	-	805,257
Ordinary shares of listed companies	386,782	-	386,782	8,928	-	8,928
Foreign bonds	-	-	-	1,392,186	-	1,392,186
Term Finance Certificates	101,174	-	101,174	106,431	-	106,431
Government of Pakistan Eurobonds	-	-	-	73,494	-	73,494
Units of mutual funds	44,252	-	44,252	46,966	-	46,966
Sukuks	28,504	-	28,504	22,852	-	22,852
	1,253,417	-	1,253,417	15,440,514	1,189,144	16,629,658
<b>Available for sale securities</b>						
Market Treasury Bills	100,056,116	28,236,295	128,292,411	39,519,598	20,695,498	60,215,096
Pakistan Investment Bonds	28,741,922	-	28,741,922	18,988,194	536,428	19,524,622
Government of Pakistan Sukuk	7,666,532	-	7,666,532	4,122,000	-	4,122,000
Government of Pakistan Eurobonds	7,373,609	-	7,373,609	3,938,516	-	3,938,516
Ordinary shares of listed companies	5,806,330	-	5,806,330	3,629,335	-	3,629,335
Preference shares	485,936	-	485,936	472,097	-	472,097
Ordinary shares of unlisted companies	445,724	-	445,724	445,632	-	445,632
Term Finance Certificates	2,146,276	-	2,146,276	2,163,818	-	2,163,818
Units of mutual funds	2,179,075	-	2,179,075	164,662	-	164,662
Foreign bonds	18,181,364	-	18,181,364	15,285,049	-	15,285,049
	173,082,884	28,236,295	201,319,179	88,728,901	21,231,926	109,960,827
<b>Held to maturity securities</b>						
Market Treasury Bills	50,545,793	-	50,545,793	58,843,648	-	58,843,648
Pakistan Investment Bonds	23,468,779	-	23,468,779	4,392,225	-	4,392,225
Government of Pakistan Sukuk	300,000	-	300,000	30,000	-	30,000
Government of Pakistan Guaranteed Bonds	51,202	-	51,202	51,399	-	51,399
Term Finance Certificates	3,832,169	-	3,832,169	27,106,749	-	27,106,749
Sukuks	1,863,468	-	1,863,468	2,548,739	-	2,548,739
Participation Term Certificates	10,661	-	10,661	19,202	-	19,202
Debentures	4,392	-	4,392	4,392	-	4,392
Foreign bonds	5,441,878	-	5,441,878	9,488,751	-	9,488,751
Recovery note	289,214	-	289,214	283,811	-	283,811
Commercial paper	50,438	-	50,438	-	-	-
CDC SAARC Fund	450	-	450	428	-	428
Government of Pakistan Eurobonds	1,986,830	-	1,986,830	696,506	-	696,506
	87,845,274	-	87,845,274	103,465,850	-	103,465,850
<b>Associates</b>						
United Growth and Income Fund	2,332,486	-	2,332,486	3,023,430	-	3,023,430
UBL Liquidity Plus Fund	5,049,099	-	5,049,099	2,613,475	-	2,613,475
United Composite Islamic Fund	346,862	-	346,862	338,110	-	338,110
United Islamic Income Fund	163,959	-	163,959	196,425	-	196,425
United Stock Advantage Fund	388,046	-	388,046	354,897	-	354,897
UBL Participation Protected Plan	-	-	-	184,639	-	184,639
UBL Capital Protected Fund - II	113,092	-	113,092	108,757	-	108,757
UBL Savings Income Fund	2,734,011	-	2,734,011	174,469	-	174,469
UBL Islamic Savings Fund	1,630,032	-	1,630,032	197,224	-	197,224
UBL Islamic Retirement Savings Fund	105,062	-	105,062	98,310	-	98,310
UBL Retirement Savings Fund	106,146	-	106,146	99,681	-	99,681
UBL Capital Protected Fund - I	-	-	-	61,652	-	61,652
UBL Government Securities Fund	3,058,294	-	3,058,294	-	-	-
UBL Insurers Limited	188,637	-	188,637	150,038	-	150,038
Oman United Exchange Company, Muscat	66,954	-	66,954	65,108	-	65,108
	16,282,680	-	16,282,680	7,666,215	-	7,666,215
	278,464,255	28,236,295	306,700,550	215,301,480	22,421,070	237,722,550
Provision for diminution in value of investments	(2,734,622)	-	(2,734,622)	(2,649,005)	-	(2,649,005)
<b>Investments (net of provisions)</b>	<b>275,729,633</b>	<b>28,236,295</b>	<b>303,965,928</b>	<b>212,652,475</b>	<b>22,421,070</b>	<b>235,073,545</b>
(Deficit) / surplus on revaluation of available for sale securities	(2,859,684)	32,921	(2,826,763)	(3,311,399)	(11,718)	(3,323,117)
(Deficit) on revaluation of held for trading securities	(32,288)	-	(32,288)	(33,050)	(164)	(33,214)
<b>Total investments</b>	<b>272,837,661</b>	<b>28,269,216</b>	<b>301,106,877</b>	<b>209,308,026</b>	<b>22,409,188</b>	<b>231,717,214</b>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>9.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		167,434,994	127,315,215
Pakistan Investment Bonds		52,210,701	24,722,104
Government of Pakistan Sukuk		7,966,532	4,152,000
Government of Pakistan Eurobonds		9,360,439	4,708,516
Government of Pakistan Guaranteed Bonds		51,202	51,399
		237,023,868	160,949,234
<b>Foreign securities</b>			
Market Treasury Bills		12,095,915	5,917,073
Government bonds		12,330,289	5,043,926
Government Sukuk		521,298	313,471
CDC SAARC Fund		450	428
Recovery note		289,214	283,811
Other bonds		11,100,885	21,122,060
		36,338,051	32,680,769
<b>Ordinary shares</b>			
Listed companies		6,193,112	3,638,263
Unlisted companies	9.7	445,724	445,632
		6,638,836	4,083,895
<b>Preference shares</b>		485,936	472,097
<b>Units of Mutual Funds</b>		2,223,327	211,628
<b>Term Finance Certificates</b>			
Listed companies		2,686,884	2,437,296
Unlisted companies		3,392,735	26,939,702
		6,079,619	29,376,998
Sukuks		1,562,742	2,258,120
Debentures		4,392	4,392
Participation Term Certificates		10,661	19,202
Commercial paper		50,438	-
<b>Investment in associates</b>	9.9	16,282,680	7,666,215
<b>Total investments at cost</b>		306,700,550	237,722,550
Provision for diminution in value of investments	9.3	(2,734,622)	(2,649,005)
<b>Investments (net of provisions)</b>		303,965,928	235,073,545
Deficit on revaluation of available for sale securities	21.2	(2,826,763)	(3,323,117)
Deficit on revaluation of held for trading securities	9.4	(32,288)	(33,214)
<b>Total investments</b>		301,106,877	231,717,214



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	----- (Rupees in '000) -----	-----
<b>9.3 Provision for diminution in value of investments:</b>		
<b>9.3.1</b>		
Opening balance	2,649,005	2,146,794
Charged during the year	458,807	346,263
Reversal on associate	-	(25,394)
Reversed during the year	(46,692)	(16,843)
	412,115	304,026
Reversed on disposal	(335,634)	(340,488)
Transfers	9,136	548,318
	(326,498)	207,830
Written off during the year	-	(9,645)
Closing balance	2,734,622	2,649,005
<b>9.3.2 Provision for diminution in value of investments by type</b>		
<b>Available for sale securities</b>		
Ordinary shares of listed companies	1,705,875	1,681,385
Ordinary shares of unlisted companies	145,717	141,761
Foreign bonds	37,209	-
Preference shares	362,525	342,566
	2,251,326	2,165,712
<b>Held to maturity securities</b>		
Term Finance Certificates	104,137	100,448
Sukuk	74,893	77,667
Participation Term Certificates	10,661	19,202
Recovery note	289,214	281,585
Debentures	4,391	4,391
	483,296	483,293
	2,734,622	2,649,005
<b>9.3.3 Provision for diminution in value of investments by segment</b>		
<b>Equity securities</b>		
Listed companies	1,705,875	1,681,385
Unlisted companies	145,717	141,761
Preference shares	362,525	342,566
	2,214,117	2,165,712
<b>Debt securities</b>		
Term Finance Certificates	104,137	100,448
Sukus	74,893	77,667
Recovery note	289,214	281,585
Foreign bonds	37,209	-
Participation Term Certificates	10,661	19,202
Debentures	4,391	4,391
	520,505	483,293
	2,734,622	2,649,005
<b>9.4 Unrealized (loss) / gain on revaluation of held for trading securities</b>		
Market Treasury Bills	(42)	(353)
Pakistan Investment Bonds	-	2,440
Ordinary shares of listed companies	(43,708)	91
Foreign bonds	-	(40,543)
Term Finance Certificates	9,407	7,834
Mutual Funds	2,102	(2,683)
	(32,241)	(33,214)

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**9.5** Investments include securities which are held by the Group to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.

**9.6** Investments include Rs.282 million (2010: Rs.282 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs.5 million (2010: Rs.5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

**9.7** This includes the Group's subscription towards the paid-up capital of Khushhali Bank Limited (KBL) amounting to Rs.200 million (2010: Rs.200 million). Pursuant to Section 10 of the Khushhali Bank Ordinance, 2000, strategic investors including the Bank could not sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. The SECP has now incorporated KBL under the Microfinance Institutions Ordinance, 2001 and issued a Certificate of Incorporation on February 28, 2008.

In order to achieve the strategic restructuring of KBL, a consortium of commercial banks (the Sellers Consortium) including the Bank had decided to completely divest their shareholding in KBL. The Bank has subsequently decided not to sell its shareholding in KBL. Instead, the Bank decided to form its own consortium including four international private equity funds with the aim of acquiring majority control of KBL. This decision was made in order to capitalize on various synergies with the Bank.

The Sellers Consortium (SC) had issued an Expression of Interest inviting interested parties to submit the required information for pre-selection by the SC and the SBP for conducting due diligence of KBL. The Bank's consortium was approved, along with other consortiums, to conduct the due diligence which has now been completed and the approved consortiums have submitted a bid on February 16, 2012.

**9.8** Information relating to investments required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006, is given in Annexure 'A' to these consolidated financial statements. Details in respect of the quality of available for sale securities are also disclosed in Annexure 'A'.

**9.9 Investment in associates**

This includes investment in the seed capital aggregating to Rs.480 million (2010: Rs.630 million) which is required to be held for a period of two years.

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>9.9.1 United Growth and Income Fund</b>		
Investment at the beginning of the year	3,023,430	5,279,234
Redemption during the year	-	(1,993,891)
Share of (loss) / profit	(690,604)	42,202
Dividend distribution	-	(250,385)
Share of unrealized deficit on assets	(340)	(53,730)
Investment at the end of the year	<u>2,332,486</u>	<u>3,023,430</u>
<b>Percentage holding as at December 31</b>	<u>85.63%</u>	<u>70.85%</u>

**9.9.1.1** United Growth and Income Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis. However, during the year, the fund temporarily suspended subscriptions for new investors.

**9.9.1.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	(Loss) / profit
	----- (Rupees in '000) -----			
<b>United Growth and Income Fund</b>				
<b>2011</b>	<u>2,733,955</u>	<u>9,917</u>	<u>299,294</u>	<u>(905,380)</u>
<b>2010</b>	<u>4,275,118</u>	<u>7,717</u>	<u>864,492</u>	<u>324,134</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>9.9.2 United Liquidity Plus Fund</b>	<table border="0"> <tr> <td></td> <td style="text-align: right;"><b>2011</b></td> <td style="text-align: right;"><b>2010</b></td> </tr> <tr> <td></td> <td style="text-align: right;">----- (Rupees in '000) -----</td> <td style="text-align: right;">----- (Rupees in '000) -----</td> </tr> <tr> <td>Investment at the beginning of the year</td> <td style="text-align: right;">2,613,475</td> <td style="text-align: right;">749,831</td> </tr> <tr> <td>Investment during the year</td> <td style="text-align: right;">2,494,396</td> <td style="text-align: right;">1,874,833</td> </tr> <tr> <td>Share of profit</td> <td style="text-align: right;">204,496</td> <td style="text-align: right;">64,591</td> </tr> <tr> <td>Dividend distribution</td> <td style="text-align: right;">(263,076)</td> <td style="text-align: right;">(75,421)</td> </tr> <tr> <td>Share of unrealized deficit on assets</td> <td style="text-align: right;">(192)</td> <td style="text-align: right;">(359)</td> </tr> <tr> <td>Investment at the end of the year</td> <td style="text-align: right;"><u>5,049,099</u></td> <td style="text-align: right;"><u>2,613,475</u></td> </tr> <tr> <td><b>Percentage holding as at December 31</b></td> <td style="text-align: right;"><u>26.07%</u></td> <td style="text-align: right;"><u>21.39%</u></td> </tr> </table>		<b>2011</b>	<b>2010</b>		----- (Rupees in '000) -----	----- (Rupees in '000) -----	Investment at the beginning of the year	2,613,475	749,831	Investment during the year	2,494,396	1,874,833	Share of profit	204,496	64,591	Dividend distribution	(263,076)	(75,421)	Share of unrealized deficit on assets	(192)	(359)	Investment at the end of the year	<u>5,049,099</u>	<u>2,613,475</u>	<b>Percentage holding as at December 31</b>	<u>26.07%</u>	<u>21.39%</u>
	<b>2011</b>	<b>2010</b>																										
	----- (Rupees in '000) -----	----- (Rupees in '000) -----																										
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Share of unrealized deficit on assets	(192)	(359)																										
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<b>Percentage holding as at December 31</b>	<u>26.07%</u>	<u>21.39%</u>																										

**9.9.2.1** United Liquidity Plus Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.9.2.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
	----- (Rupees in '000) -----			
<b>United Liquidity Plus Fund</b>				
<b>2011</b>	<u>19,422,890</u>	<u>55,517</u>	<u>2,217,962</u>	<u>2,150,600</u>
<b>2010</b>	<u>12,295,334</u>	<u>75,871</u>	<u>1,092,695</u>	<u>930,546</u>

<b>9.9.3 United Composite Islamic Fund</b>	<table border="0"> <tr> <td></td> <td style="text-align: right;"><b>2011</b></td> <td style="text-align: right;"><b>2010</b></td> </tr> <tr> <td></td> <td style="text-align: right;">----- (Rupees in '000) -----</td> <td style="text-align: right;">----- (Rupees in '000) -----</td> </tr> <tr> <td>Investment at the beginning of the year</td> <td style="text-align: right;">338,110</td> <td style="text-align: right;">539,012</td> </tr> <tr> <td>Redemption during the year</td> <td style="text-align: right;">(1,292)</td> <td style="text-align: right;">(262,811)</td> </tr> <tr> <td>Share of profit</td> <td style="text-align: right;">2,731</td> <td style="text-align: right;">70,735</td> </tr> <tr> <td>Share of unrealized surplus / (deficit) on assets</td> <td style="text-align: right;">7,313</td> <td style="text-align: right;">(8,826)</td> </tr> <tr> <td>Investment at the end of the year</td> <td style="text-align: right;"><u>346,862</u></td> <td style="text-align: right;"><u>338,110</u></td> </tr> <tr> <td><b>Percentage holding as at December 31</b></td> <td style="text-align: right;"><u>75.57%</u></td> <td style="text-align: right;"><u>69.94%</u></td> </tr> </table>		<b>2011</b>	<b>2010</b>		----- (Rupees in '000) -----	----- (Rupees in '000) -----	Investment at the beginning of the year	338,110	539,012	Redemption during the year	(1,292)	(262,811)	Share of profit	2,731	70,735	Share of unrealized surplus / (deficit) on assets	7,313	(8,826)	Investment at the end of the year	<u>346,862</u>	<u>338,110</u>	<b>Percentage holding as at December 31</b>	<u>75.57%</u>	<u>69.94%</u>
	<b>2011</b>	<b>2010</b>																							
	----- (Rupees in '000) -----	----- (Rupees in '000) -----																							
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Investment at the end of the year	<u>346,862</u>	<u>338,110</u>																							
<b>Percentage holding as at December 31</b>	<u>75.57%</u>	<u>69.94%</u>																							

**9.9.3.1** United Composite Islamic Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.9.3.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
	----- (Rupees in '000) -----			
<b>United Composite Islamic Fund</b>				
<b>2011</b>	<u>466,746</u>	<u>7,745</u>	<u>42,870</u>	<u>18,916</u>
<b>2010</b>	<u>489,848</u>	<u>6,369</u>	<u>127,666</u>	<u>78,441</u>

<b>9.9.4 United Islamic Income Fund</b>	<table border="0"> <tr> <td></td> <td style="text-align: right;"><b>2011</b></td> <td style="text-align: right;"><b>2010</b></td> </tr> <tr> <td></td> <td style="text-align: right;">----- (Rupees in '000) -----</td> <td style="text-align: right;">----- (Rupees in '000) -----</td> </tr> <tr> <td>Investment at the beginning of the year</td> <td style="text-align: right;">196,425</td> <td style="text-align: right;">249,850</td> </tr> <tr> <td>Redemption during the year</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(50,000)</td> </tr> <tr> <td>Share of (loss) / profit</td> <td style="text-align: right;">(37,704)</td> <td style="text-align: right;">33,783</td> </tr> <tr> <td>Dividend distribution</td> <td style="text-align: right;">(13,332)</td> <td style="text-align: right;">(8,075)</td> </tr> <tr> <td>Share of unrealized surplus / (deficit) on assets</td> <td style="text-align: right;">18,570</td> <td style="text-align: right;">(29,133)</td> </tr> <tr> <td>Investment at the end of the year</td> <td style="text-align: right;"><u>163,959</u></td> <td style="text-align: right;"><u>196,425</u></td> </tr> <tr> <td><b>Percentage holding as at December 31</b></td> <td style="text-align: right;"><u>57.21%</u></td> <td style="text-align: right;"><u>48.08%</u></td> </tr> </table>		<b>2011</b>	<b>2010</b>		----- (Rupees in '000) -----	----- (Rupees in '000) -----	Investment at the beginning of the year	196,425	249,850	Redemption during the year	-	(50,000)	Share of (loss) / profit	(37,704)	33,783	Dividend distribution	(13,332)	(8,075)	Share of unrealized surplus / (deficit) on assets	18,570	(29,133)	Investment at the end of the year	<u>163,959</u>	<u>196,425</u>	<b>Percentage holding as at December 31</b>	<u>57.21%</u>	<u>48.08%</u>
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<b>Percentage holding as at December 31</b>	<u>57.21%</u>	<u>48.08%</u>																										

**9.9.4.1** United Islamic Income Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**9.9.4.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>(Loss) / profit</u>
----- (Rupees in '000) -----					
<b>United Islamic Income Fund</b>	<b>2011</b>	288,242	1,632	40,699	(81,642)
	<b>2010</b>	411,540	2,974	142,381	84,842

**9.9.5 United Stock Advantage Fund**

	<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----		
Investment at the beginning of the year	354,897	305,297
Investment / (redemption) during the year	48,846	(1,075)
Share of (loss) / profit	(12,581)	40,421
Share of unrealized (deficit) / surplus on assets	(3,116)	10,254
Investment at the end of the year	<u>388,046</u>	<u>354,897</u>
<b>Percentage holding as at December 31</b>	<u>32.97%</u>	<u>31.70%</u>

**9.9.5.1** United Stock Advantage Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.9.5.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

**9.9.5.3** The share of profit includes gain on account of redemption made in the Fund during the year.

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit / (loss)</u>
----- (Rupees in '000) -----					
<b>United Stock Advantage Fund</b>	<b>2011</b>	1,241,024	63,976	14,925	959,800
	<b>2010</b>	1,124,139	4,808	264,741	(626,283)

**9.9.6 UBL Participation Protected Plan**

	<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----		
Investment at the beginning of the year	184,639	170,136
Redemption during the year	(200,000)	-
Share of profit	15,361	14,503
Investment at the end of the year	<u>-</u>	<u>184,639</u>

**9.9.6.1** UBL Participation Protected Plan was a 3 year open ended administrative plan which matured in July 2011.

**9.9.7 UBL Capital Protected Fund - II**

	<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----		
Investment at the beginning of the year	108,757	-
Investment during the year	6	103,459
Share of profit	4,329	5,298
Investment at the end of the year	<u>113,092</u>	<u>108,757</u>
<b>Percentage holding as at December 31</b>	<u>57.39%</u>	<u>53.04%</u>

**9.9.7.1** UBL Capital Protected Fund II is an open ended capital protected fund, listed on the Islamabad Stock Exchange. No new subscriptions are allowed post the initial offering period. The fund matures in May 2012.

**9.9.7.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
<b>UBL Capital Protected Fund - II</b>	<b>2011</b>	197,986	927	13,426	7,559
	<b>2010</b>	206,169	1,133	14,305	10,594

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>9.9.8 UBL Savings Income Fund</b>	<b>2011</b>	<b>2010</b>
	----- (Rupees in '000) -----	
Investment at the beginning of the year	174,469	-
Investment during the year	2,531,284	169,577
Share of profit	78,531	4,898
Dividend distribution	(47,238)	-
Share of unrealized deficit on assets	(3,035)	(6)
Investment at the end of the year	<u>2,734,011</u>	<u>174,469</u>
<b>Percentage holding as at December 31</b>	<u>54.60%</u>	<u>19.22%</u>

**9.9.8.1** UBL Savings Income Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.9.8.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
	----- (Rupees in '000) -----			
<b>UBL Savings Income Fund</b>				
<b>2011</b>	<u>5,091,173</u>	<u>83,670</u>	<u>367,296</u>	<u>450,601</u>
<b>2010</b>	<u>923,788</u>	<u>16,222</u>	<u>28,611</u>	<u>21,305</u>

<b>9.9.9 UBL Islamic Savings Fund</b>	<b>2011</b>	<b>2010</b>
	----- (Rupees in '000) -----	
Investment at the beginning of the year	197,224	-
Investment during the year	1,423,897	195,376
Share of profit	52,964	1,775
Dividend distribution	(42,626)	-
Share of unrealized (deficit) / surplus on assets	(1,427)	73
Investment at the end of the year	<u>1,630,032</u>	<u>197,224</u>
<b>Percentage holding as at December 31</b>	<u>43.84%</u>	<u>15.93%</u>

**9.9.9.1** UBL Islamic Savings Fund is an open ended Shariah Compliant Income fund listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.9.9.2** The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
	----- (Rupees in '000) -----			
<b>UBL Islamic Savings Fund</b>				
<b>2011</b>	<u>3,740,191</u>	<u>21,761</u>	<u>320,800</u>	<u>351,394</u>
<b>2010</b>	<u>1,241,983</u>	<u>3,624</u>	<u>14,192</u>	<u>20,244</u>

<b>9.9.10 UBL Islamic Retirement Savings Fund</b>	<b>2011</b>	<b>2010</b>
	----- (Rupees in '000) -----	
Investment at the beginning of the year	98,310	-
Investment during the year	-	90,000
Share of profit	6,370	8,720
Share of unrealized surplus / (deficit) on assets	382	(410)
Investment at the end of the year	<u>105,062</u>	<u>98,310</u>
<b>Percentage holding as at December 31</b>	<u>90.87%</u>	<u>96.09%</u>

**9.9.10.1** UBL Islamic Retirement Savings Fund is an open ended Shariah Compliant pension fund and offers units for public subscription on a continuous basis.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

9.9.10.2 The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
<b>UBL Islamic Retirement Savings Fund</b>	<b>2011</b>	116,355	692	10,045	7,719
	<b>2010</b>	103,218	852	10,800	9,130

		<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----			
<b>UBL Retirement Savings Fund</b>	Investment at the beginning of the year	99,681	-
	Investment during the year	-	90,000
	Share of profit	6,229	9,665
	Share of unrealized surplus on assets	236	16
	Investment at the end of the year	<u>106,146</u>	<u>99,681</u>
	<b>Percentage holding as at December 31</b>	<u>75.64%</u>	<u>89.84%</u>

9.9.11.1 UBL Retirement Savings Fund is an open ended pension fund and offers units for public subscription on a continuous basis.

9.9.11.2 The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
<b>UBL Retirement Savings Fund</b>	<b>2011</b>	141,992	1,610	11,218	9,772
	<b>2010</b>	111,488	813	12,279	10,476

		<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----			
<b>UBL Capital Protected Fund - I</b>	Investment at the beginning of the year	61,652	64,905
	Redemption during the year	(80,092)	(1,105)
	Share of profit / (loss)	18,425	(27,523)
	Share of unrealized surplus / (deficit) on assets	15	(19)
		-	36,258
	Reversal of impairment	-	25,394
	Investment at the end of the year	<u>-</u>	<u>61,652</u>
	<b>Percentage holding as at December 31</b>	<u>-</u>	<u>11.61%</u>

9.9.12.1 UBL Capital Protected Fund 1 matured in March 2011.

9.9.12.2 The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
<b>UBL Capital Protected Fund - I</b>	<b>2011</b>	-	-	13,225	5,663
	<b>2010</b>	856,256	10,283	85,644	68,440

		<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----			
<b>UBL Government Securities Fund</b>	Investment at the beginning of the year	-	-
	Investment during the year	3,100,000	-
	Share of profit	31,872	-
	Dividend distribution	(69,143)	-
	Share of unrealized deficit on assets	(4,435)	-
	Investment at the end of the year	<u>3,058,294</u>	<u>-</u>
	<b>Percentage holding as at December 31</b>	<u>62.09%</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

9.9.13.1 UBL Government Securities Fund (UGSF) is a open ended mutual fund, listed on the Islamabad Stock Exchange.

9.9.13.2 The details of assets, liabilities, revenues and results of the Fund as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
<b>UBL Government Securities Fund</b>	<b>2011</b>	<u>4,945,945</u>	<u>20,088</u>	<u>130,868</u>	<u>166,768</u>

		<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----			
<b>9.9.14 UBL Insurers Limited</b>			
Investment at the beginning of the year		150,038	67,583
Investment during the year		-	90,000
Share of profit / (loss)		<u>38,599</u>	<u>(7,545)</u>
Investment at the end of the year		<u>188,637</u>	<u>150,038</u>
<b>Percentage holding as at December 31</b>		<u>30.00%</u>	<u>30.00%</u>

9.9.14.1 UBL Insurers Limited is an unquoted public company. The principal objective of the Company is to conduct general insurance business.

9.9.14.2 The details of assets, liabilities, revenues and results of the insurance company as at December 31, based on unaudited financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit / (Loss)</u>
----- (Rupees in '000) -----					
<b>UBL Insurers Limited</b>	<b>2011</b>	<u>1,349,858</u>	<u>721,069</u>	<u>327,535</u>	<u>128,661</u>
	<b>2010</b>	<u>1,057,200</u>	<u>575,205</u>	<u>264,095</u>	<u>(28,286)</u>

		<u>2011</u>	<u>2010</u>
----- (Rupees in '000) -----			
<b>9.9.15 Oman United Exchange Company</b>			
Investment at the beginning of the year		65,108	71,399
Share of profit		24,276	15,838
Dividend distribution		<u>(22,430)</u>	<u>(22,129)</u>
Investment at the end of the year		<u>66,954</u>	<u>65,108</u>
<b>Percentage holding as at December 31</b>		<u>25.00%</u>	<u>25.00%</u>

9.9.15.1 Oman United Exchange Company LLC is incorporated in the Sultanate of Oman as a limited liability company and is primarily engaged in money changing, issuing of drafts and the purchase and sale of travellers cheques.

9.9.15.2 The details of assets, liabilities, revenues and results of the company as of December 31, based on reviewed financial statements are as follows:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit</u>
----- (Rupees in '000) -----					
<b>Oman United Exchange Company</b>	<b>2011</b>	<u>340,475</u>	<u>72,658</u>	<u>189,041</u>	<u>84,228</u>
	<b>2010</b>	<u>307,397</u>	<u>46,965</u>	<u>159,390</u>	<u>58,775</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

10.	ADVANCES	Note	Performing		Non-performing		Total	
			2011	2010	2011	2010	2011	2010
----- (Rupees in '000) -----								
	<b>Loans, cash credits, running finances, etc.</b>							
	In Pakistan	10.2	217,075,307	228,034,418	41,798,946	40,726,130	258,874,253	268,760,548
	Outside Pakistan		82,310,979	82,913,093	6,621,240	5,219,441	88,932,219	88,132,534
			299,386,286	310,947,511	48,420,186	45,945,571	347,806,472	356,893,082
	<b>Bills discounted and purchased</b> (excluding government treasury bills)							
	Payable in Pakistan		15,840,765	12,429,950	2,711,544	2,235,582	18,552,309	14,665,532
	Payable outside Pakistan		15,744,554	4,489,485	12,440	431,925	15,756,994	4,921,410
			31,585,319	16,919,435	2,723,984	2,667,507	34,309,303	19,586,942
	<b>Advances - gross</b>		330,971,605	327,866,946	51,144,170	48,613,078	382,115,775	376,480,024
	Provision against advances	10.5						
	- Specific		-	-	(39,967,562)	(33,544,116)	(39,967,562)	(33,544,116)
	- General		(1,008,694)	(1,425,496)	-	-	(1,008,694)	(1,425,496)
			(1,008,694)	(1,425,496)	(39,967,562)	(33,544,116)	(40,976,256)	(34,969,612)
	<b>Advances - net of provision</b>		329,962,911	326,441,450	11,176,608	15,068,962	341,139,519	341,510,412
<b>10.1</b>	<b>Particulars of advances - gross</b>							
----- (Rupees in '000) -----								
<b>10.1.1</b>	In local currency		227,995,007	235,079,268	44,165,843	42,816,359	272,160,850	277,895,627
	In foreign currencies		102,976,598	92,787,678	6,978,327	5,796,719	109,954,925	98,584,397
			330,971,605	327,866,946	51,144,170	48,613,078	382,115,775	376,480,024
<b>10.1.2</b>	Short-term		226,367,149	247,828,594	-	-	226,367,149	247,828,594
	Long-term		104,604,456	80,038,352	51,144,170	48,613,078	155,748,626	128,651,430
			330,971,605	327,866,946	51,144,170	48,613,078	382,115,775	376,480,024
<b>10.2</b>	Non-performing advances include advances having gross book value of Rs.10,591.010 million (2010: Rs.5,774.675 million) and net book value of Rs.3,207.771 million (2010: Rs.3,664.061 million) which, though restructured and performing, have been placed under non-performing status as required by the Prudential Regulations issued by the SBP, which require monitoring for at least one year before any upgradation is considered.							



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**10.3** Advances include Rs.51,144 million (2010: Rs.48,613 million) which have been placed under non-performing status as detailed below:

Category of Classification	2011			2011			2011		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned *	319,428	-	319,428	-	-	-	-	-	-
Substandard	2,274,422	747,378	3,021,800	431,607	174,625	606,232	431,607	174,625	606,232
Doubtful	4,276,895	1,081,319	5,358,214	2,156,044	794,875	2,950,919	2,156,044	794,875	2,950,919
Loss	37,639,745	4,804,983	42,444,728	32,996,932	3,413,479	36,410,411	32,996,932	3,413,479	36,410,411
	<u>44,510,490</u>	<u>6,633,680</u>	<u>51,144,170</u>	<u>35,584,583</u>	<u>4,382,979</u>	<u>39,967,562</u>	<u>35,584,583</u>	<u>4,382,979</u>	<u>39,967,562</u>

Category of Classification	2010			2010			2010		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned *	336,651	-	336,651	-	-	-	-	-	-
Substandard	6,320,318	1,037,361	7,357,679	1,414,035	259,344	1,673,379	1,414,035	259,344	1,673,379
Doubtful	5,716,839	3,005,088	8,721,927	1,530,397	1,502,546	3,032,943	1,530,397	1,502,546	3,032,943
Loss	30,587,904	1,608,917	32,196,821	27,239,551	1,598,243	28,837,794	27,239,551	1,598,243	28,837,794
	<u>42,961,712</u>	<u>5,651,366</u>	<u>48,613,078</u>	<u>30,183,983</u>	<u>3,360,133</u>	<u>33,544,116</u>	<u>30,183,983</u>	<u>3,360,133</u>	<u>33,544,116</u>

\* The Other Assets Especially Mentioned category pertains to agricultural finance only.

**10.4 Particulars of provision against advances**

	Note	2011			2010		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		33,544,116	1,425,496	34,969,612	27,700,850	713,507	28,414,357
Exchange adjustments		234,563	27,467	262,030	193,039	3,822	196,861
<b>Charge / (reversals)</b>							
Charge for the year		9,791,707	157,904	9,949,611	8,078,140	910,973	8,989,113
Reversals		(3,152,499)	(601,673)	(3,754,172)	(1,956,300)	(194,477)	(2,150,777)
Transfers		6,639,208	(443,769)	6,195,439	6,121,840	716,496	6,838,336
Amounts written off	10.5	309,674	(500)	309,174	90,634	(8,329)	82,305
Closing balance		(759,999)	-	(759,999)	(562,247)	-	(562,247)
		<u>39,967,562</u>	<u>1,008,694</u>	<u>40,976,256</u>	<u>33,544,116</u>	<u>1,425,496</u>	<u>34,969,612</u>

**10.4.1** General provision represents provision amounting to Rs.308.153 million (2010: Rs.375.327 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs.600.541 million (2010: Rs.415.169 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches of the Bank operate. General provisions also include an amount of Rs.100.000 million (2010: Rs.635.000 million) which the Group carries as matter of prudence given the current economic environment and is based on management estimates.

**10.4.2** The Bank has availed the benefit of Forced Sale Value (FSV) of pledged stocks and mortgaged residential and commercial properties (land and building only) held as collateral against non-performing advances as allowed under BSD Circular 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.3,217 million (December 31, 2010: Rs.3,068 million). The FSV benefit recognized will not be available for the distribution of cash or stock dividend to shareholders.

**10.4.3 Particulars of provision against advances**

	2011			2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	35,397,059	408,153	35,805,212	30,183,984	1,010,327	31,194,311
In foreign currencies	4,570,503	600,541	5,171,044	3,360,132	415,169	3,775,301
	<u>39,967,562</u>	<u>1,008,694</u>	<u>40,976,256</u>	<u>33,544,116</u>	<u>1,425,496</u>	<u>34,969,612</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>10.5 Particulars of write-offs</b>			
<b>10.5.1</b> Against provisions	10.4	759,999	562,247
Directly charged to profit and loss account		<u>340,416</u>	<u>1,007,896</u>
		<u><u>1,100,415</u></u>	<u><u>1,570,143</u></u>
<b>10.5.2</b> Write-offs of Rs.500,000 and above	10.6	834,700	764,563
Write-offs of Rs.500,000 and above - subsidiaries		-	17,221
Write-offs below Rs.500,000		<u>265,715</u>	<u>788,359</u>
		<u><u>1,100,415</u></u>	<u><u>1,570,143</u></u>

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2011 is given in Annexure 'B' to the unconsolidated financial statements. These loans are written off as a book entry without prejudice to the Group's right of recovery against the customers.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>10.7 Particulars of loans and advances to Executives, Directors, associated companies etc.</b>			
Balance at the beginning of the year		1,619,550	1,538,665
Loans granted during the year		988,222	717,242
Repayments made during the year		(775,967)	(635,129)
Exchange adjustment		-	(1,228)
Balance at end of the year		<u><u>1,831,805</u></u>	<u><u>1,619,550</u></u>

**11. OPERATING FIXED ASSETS**

Capital work-in-progress	11.1	991,841	1,337,697
Property and equipment	11.2	23,218,456	22,405,859
Intangible assets	11.3	1,512,184	941,010
		<u><u>25,722,481</u></u>	<u><u>24,684,566</u></u>

**11.1 Capital work-in-progress**

Civil works	11.1.1	649,665	537,257
Equipment		201,821	268,949
Software	11.1.2	117,781	519,651
Advances to suppliers and contractors		<u>22,574</u>	<u>11,840</u>
		<u><u>991,841</u></u>	<u><u>1,337,697</u></u>

**11.1.1** This includes Rs.519.317 million (2010: Rs.437.916 million) in respect of construction of the Head Office building.

**11.1.2** This includes Rs.71.918 million (2010: Rs.516.081 million) in respect of the Core Banking Software.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**11.2 Property and equipment**

	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2011	Annual rate of depreciation %	
	At January 01, 2011	Additions / (deletions)	Surplus on revaluation / (Reversal of accumulated depreciation)	Reclassification	Exchange Adjustment / Other adjustments	At December 31, 2011	At January 01, 2011	Charge for the year / (Reversal on deletions)	Reversal due to revaluation	Exchange Adjustment / Other adjustments			At December 31, 2011
(Rupees in '000)													
<b>Owned</b>													
Freehold land	3,041,776	-	-	-	-	3,041,776	-	-	-	-	-	3,041,776	-
Leasehold land	11,721,185	61,535	-	-	64	11,782,784	292,767	-	-	55	292,822	11,489,962	-
Buildings on freehold land	2,560,340	80,105	329,495	-	99,672	3,069,612	181,790	49,818	-	13,755	245,363	2,824,249	2 - 5
Buildings on leasehold land	2,093,272	70,482	-	-	3,460	2,167,214	131,944	108,593	-	159	240,696	1,926,518	5 - 10
Leasehold improvements	1,661,185	249,305	-	-	26,007	1,936,497	562,856	173,575	-	12,005	748,436	1,188,061	10 - 20
Furniture and fixtures	1,048,078	100,907 (41,946)	-	-	10,851	1,117,890	612,837	88,181 (36,615)	-	2,209	666,612	451,280	10 - 25
Electrical, office and computer equipment	4,841,450	804,398 (85,815)	-	-	36,398	5,596,431	3,265,339	742,985 (83,363)	-	35,972	3,960,933	1,635,498	10 - 67
Vehicles	286,371	170,934 (70,456)	-	-	532	387,381	171,770	47,431 (53,341)	-	1,743 (116)	167,487	219,894	20 - 25
<b>Assets held under operating lease</b>													
Ijarah assets - note 11.8	739,979	237,151 (250,227)	-	-	5,184	732,087	368,474	119,230 (196,837)	-	-	290,867	441,220	20 - 33.33
<b>2011</b>	<b>27,993,636</b>	<b>1,774,817</b> <b>(448,444)</b>	<b>329,495</b>	<b>-</b>	<b>182,168</b>	<b>29,831,672</b>	<b>5,587,777</b>	<b>1,329,813</b> <b>(370,196)</b>	<b>-</b>	<b>65,898</b> <b>(116)</b>	<b>6,613,216</b>	<b>23,218,456</b>	

	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2010	Annual rate of depreciation %	
	At January 01, 2010	Additions / (deletions)	Surplus on revaluation / (Reversal of accumulated depreciation)	Reclassification	Exchange Adjustment / Other adjustments	At December 31, 2010	At January 01, 2010	Charge for the year / (Reversal on deletions)	Reversal due to revaluation	Exchange Adjustment / Other adjustments			At December 31, 2010
(Rupees in '000)													
<b>Owned</b>													
Freehold land	1,825,754	125,305	-	1,090,717	-	3,041,776	-	-	-	-	-	3,041,776	-
Leasehold land	12,802,015	9,865	-	-	22	11,721,185	1,052	291,697	-	18	292,767	11,428,418	1 - 4
Buildings on freehold land	1,908,294	59,015	458,837	173,900	(39,706)	2,560,340	145,647	38,217	-	(2,074)	181,790	2,378,551	2 - 5
Buildings on leasehold land	2,182,998	90,124 (5,431)	8,788 (8,707)	-	(600)	2,093,272	39,675	106,090 (5,431)	-	317 (8,707)	131,944	1,961,328	5 - 10
Leasehold improvements	1,495,013	169,079 (7,818)	-	-	4,911	1,661,185	415,414	153,380 (5,436)	-	(502)	562,856	1,098,329	10 - 20
Furniture and fixtures	978,099	92,933 (24,555)	-	-	1,601	1,048,078	530,004	97,562 (16,639)	-	2,730 (820)	612,837	435,242	10 - 25
Electrical, office and computer equipment	4,155,052	729,829 (33,732)	-	-	(9,699)	4,841,450	2,604,119	717,413 (31,234)	-	2,767 (27,726)	3,265,339	1,576,111	10 - 67
Vehicles	268,342	48,937 (34,854)	-	3,772	174	286,371	159,287	35,162 (22,631)	-	2,501 (2,549)	171,770	114,601	20 - 25
<b>Assets held under operating lease</b>													
Ijarah assets - note 11.8	810,456	59,658 (133,066)	-	-	2,931	739,979	296,066	137,463 (65,055)	-	-	368,474	371,505	20 - 33.33
<b>Finance lease</b>	<b>4,332</b>	<b>(560)</b>	<b>-</b>	<b>(3,772)</b>	<b>-</b>	<b>-</b>	<b>2,852</b>	<b>(26)</b>	<b>-</b>	<b>(2,826)</b>	<b>-</b>	<b>-</b>	<b>20</b>
<b>2010</b>	<b>26,430,355</b>	<b>1,384,745</b> <b>(240,016)</b>	<b>467,625</b> <b>(8,707)</b>	<b>1,268,389</b> <b>(1,268,389)</b>	<b>9,639</b> <b>(50,005)</b>	<b>27,993,636</b>	<b>4,194,115</b>	<b>1,576,984</b> <b>(146,452)</b>	<b>-</b> <b>(8,707)</b>	<b>8,333</b> <b>(36,497)</b>	<b>5,587,777</b>	<b>22,405,859</b>	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

11.2.1 During the year, the management has revised its estimates with respect to depreciation rates on leasehold land based on the characteristics of the underlying properties. As such, no depreciation has been charged on leasehold land during the year. Had there been no change in estimate, the profit for the year and the carrying value of leasehold land would have been lower by Rs.292.183 million.

**11.3 Intangible assets**

	Cost				2011 Accumulated Amortization				Net book value at December 31, 2011	Annual rate of amortization %
	At January 01, 2011	Additions / (deletions)	Exchange Adjustment / Other adjustments	At December 31, 2011	At January 01, 2011	Charge for the year / (reversal on deletion)	Exchange Adjustment / Other adjustments	At December 31, 2011		
	(Rupees in '000)									
Software	1,739,887	865,764	16,834	2,622,485	798,877	304,526	6,898	1,110,301	1,512,184	10 - 33.33
		-	-			-	-			

	Cost				2010 Accumulated Amortization				Net book value at December 31, 2010	Annual rate of amortization %
	At January 01, 2010	Additions / (deletions)	Exchange Adjustment / Other adjustments	At December 31, 2010	At January 01, 2010	Charge for the year / (reversal on deletion)	Exchange Adjustment / Other adjustments	At December 31, 2010		
	(Rupees in '000)									
Software	1,052,072	672,056	19,899	1,739,887	560,561	224,017	16,990	798,877	941,010	10 - 33.33
		(4,140)	-			(2,691)	-			

**11.4 Revaluation of properties**

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2009. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Maricon Consultants (Private) Limited and M/s. Engineering Pakistan International (Private) Limited on the basis of professional assessment of then market values and resulted in a surplus of Rs.4,139.592 million.

The properties of UNBL were revalued by an independent professional valuer, Jones Lang Lasalle, as at December 31, 2011. These revaluations were based on present market values and resulted in a surplus of Rs.329.495 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2011 would have been as follows:

	2011 ----- (Rupees in '000) -----	2010
Freehold land	1,484,906	1,484,906
Leasehold land	9,168,903	9,168,903
Buildings on freehold land	1,161,740	1,134,537
Buildings on leasehold land	1,491,367	1,584,701
<b>11.5 Carrying amount of temporarily idle properties of the Group</b>	<b>148,176</b>	<b>126,717</b>
<b>11.6 The cost of fully depreciated assets still in use</b>		
Furniture and fixtures	261,307	267,283
Electrical, office and computer equipment	2,364,540	1,772,687
Vehicles	67,694	69,474
	<u>2,693,541</u>	<u>2,109,444</u>

**11.7 Details of disposals of operating fixed assets**

The information relating to operating fixed assets disposed off during the year is given in Annexure 'C' and is an integral part of these consolidated financial statements.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

11.8 The Islamic Banking branches of the Group have entered into Ijarah transactions with customers during the year. The majority of Ijarah transactions entered into are in respect of vehicles.

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

	Note	2011 ----- (Rupees in '000) -----	2010
Not later than one year		340,825	103,811
Later than one year but not later than five years		214,293	242,387
Later than five years		-	94
		555,118	346,292

**12. DEFERRED TAX ASSET - NET**

Deferred tax asset - net	12.1	1,991,667	1,298,247
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**12.1 Movement in temporary differences during the year**

Note	2011			
	At January 01, 2011	Recognised in profit and loss account	Others	At December 31, 2011
----- (Rupees in '000) -----				
Deductible temporary differences on				
	729	-	-	729
- Tax losses on subsidiary				
- Deficit on revaluation of investments	1,162,302	-	(195,184)	967,118
- Ijarah financing	(14,371)	-	-	(14,371)
- Workers' Welfare Fund	144,740	34,853	-	179,593
- Cash flow hedge reserve	69,545	-	(36,162)	33,383
- Provision against off balance sheet items, post retirement medical benefits and advances	5,207,921	1,157,468	22,072	6,387,461
	6,570,866	1,192,321	(209,274)	7,553,913
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,142,198)	36,033	(145)	(5,106,310)
- Accelerated tax depreciation	(130,421)	(325,515)	-	(455,936)
	(5,272,619)	(289,482)	(145)	(5,562,246)
	1,298,247	902,839	(209,419)	1,991,667

Note	2010			
	At January 01, 2010	Recognized in profit and loss account	Others	At December 31, 2010
----- (Rupees in '000) -----				
Deductible temporary differences on				
	41,473	(39,519)	(1,225)	729
- Recognized tax losses on subsidiary				
- Deficit on revaluation of investments	1,066,434	-	95,868	1,162,302
- Ijarah financing	52,314	(66,685)	-	(14,371)
- Workers' Welfare Fund	139,142	5,598	-	144,740
- Cash flow hedge reserve	111,148	-	(41,603)	69,545
- Provision against off balance sheet items, post retirement medical benefits and advances	4,665,734	542,187	-	5,207,921
	6,076,245	441,581	53,040	6,570,866
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,275,900)	136,794	(3,092)	(5,142,198)
- Accelerated tax depreciation	(150,531)	20,110	-	(130,421)
	(5,426,431)	156,904	(3,092)	(5,272,619)
	649,814	598,485	49,948	1,298,247

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued in local currency		11,595,686	11,753,658
Income / mark-up accrued in foreign currency		1,692,780	1,227,402
		13,288,466	12,981,060
Advance taxation - net of provision for taxation	13.1	3,115,568	3,693,123
Receivable from staff retirement funds		99,182	66,595
Receivable on account of encashment of savings certificates		18,892	43,086
Receivable in respect of derivatives transactions		18,033	31,121
Receivable from other banks against telegraphic transfers and demand drafts		817,422	1,219,425
Unrealized gain on forward foreign exchange contracts	13.3	1,673,778	1,178,254
Branch adjustment account		345,007	-
Unrealized gain on derivative financial instruments	19.4.1 & 23.2	394,924	693,675
Advance against Murabaha		31,039	-
Suspense accounts		338,017	237,439
Stationery and stamps on hand		162,521	151,528
Non banking assets acquired in satisfaction of claims	13.4	1,454,389	1,192,095
Advances, deposits, advance rent and other prepayments		958,681	768,894
Others		2,042,011	1,275,329
		<u>24,757,930</u>	<u>23,531,624</u>
Provision held against other assets	13.2	<u>(2,777,829)</u>	<u>(2,352,444)</u>
Other assets (net of provisions)		<u>21,980,101</u>	<u>21,179,180</u>

- 13.1** The Income Tax returns of the Bank have been filed up to the tax year 2011 (accounting year ended December 31, 2010) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

The tax authorities have issued amended assessment orders for the tax years 2003 to 2011 (accounting years ended December 31, 2002 to 2010) determining additional tax liability of Rs.8,060 million, which has been fully paid as required under the law, except for a portion of Rs.222 million unpaid against the tax year 2011 as it is not yet due. For the tax years 2004 to 2009, appeals have been decided by the Commissioner of Inland Revenue [CIR(A)] by allowing relief on certain issues, while the tax years 2003 and 2010 remain pending before the CIR(A). For the tax year 2011, the Bank is in the process of filing an appeal before the CIR(A). For tax years 2004 to 2007, appeals have been decided by the Appellate Tribunal Inland Revenue (ATIR), while the tax years 2008 and 2009 remain pending before the ATIR. For tax years 2004 to 2007, the ATIR has allowed relief on certain issues, and to give appeal effect, a refund order of Rs.1,340 million was issued. For the remaining matters, the Bank has filed a reference application before the High Court of Sindh. The management is confident that the appeals will be decided in favor of the Bank.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances upto 5% of total advances for consumer and small and medium enterprises and upto 1% of total advances for other advances. Amounts above these limits are allowed to be claimed in future years. As at December 31, 2011 the Bank has booked a deferred tax asset of Rs.3,200 million (2010: Rs.2,574 million) in respect of provisions in excess of the above mentioned limits.

The Bank also carries a tax asset amounting to Rs.4,114 million (2010: Rs.5,454 million), representing disallowance of provisions against advances and off balance sheet obligations, for the periods prior to the applicability of the Seventh Schedule. The management, in consultation with its tax advisor, is confident that these would be allowed to the Bank at appellate levels.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The tax returns for Azad Kashmir (AK) Branches have been filed for tax years 2005 to 2011 (accounting years ended December 31, 2004 to 2010) under the provisions of section 120(1) read with section 114 of the Ordinance, and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax returns for overseas branches (for UAE, Qatar, Yemen and New York) have been filed up to the accounting year ended December 31, 2010 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>13.2 Provision against other assets</b>			
Opening balance		2,352,444	2,633,892
Exchange adjustments		<u>40,183</u>	<u>8,638</u>
		2,392,627	2,642,530
Charge for the year		<u>148,979</u>	<u>40,598</u>
Reversals		<u>(59,044)</u>	<u>(162,859)</u>
	29	89,935	(122,261)
Transfers		363,782	221,772
Amounts written off		<u>(68,515)</u>	<u>(389,597)</u>
Closing balance		<u><u>2,777,829</u></u>	<u><u>2,352,444</u></u>
<b>13.3</b>	Unrealized gains and losses on forward foreign exchange contracts are shown at their gross amounts.		
<b>13.4</b>	The market value of non banking assets acquired in satisfaction of claims is Rs.1,329 million (2010: Rs.1,221 million).		
<b>14. CONTINGENT ASSETS</b>			
	There were no contingent assets as at the statement of financial position date.		
<b>15. BILLS PAYABLE</b>			
In Pakistan		5,754,550	4,136,487
Outside Pakistan		<u>124,493</u>	<u>938,213</u>
		<u><u>5,879,043</u></u>	<u><u>5,074,700</u></u>
<b>16. BORROWINGS</b>			
In Pakistan		47,000,993	44,676,121
Outside Pakistan		<u>3,844,884</u>	<u>2,955,693</u>
		<u><u>50,845,877</u></u>	<u><u>47,631,814</u></u>
<b>16.1 Particulars of borrowings</b>			
In local currency		46,417,726	43,401,942
In foreign currencies		<u>4,428,151</u>	<u>4,229,872</u>
		<u><u>50,845,877</u></u>	<u><u>47,631,814</u></u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>16.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan under			
- Export refinance scheme	16.3	12,386,674	14,840,163
- Refinance facility for modernization of SME	16.4	42,264	27,500
- Long-term financing facility	16.5	3,516,846	2,444,872
- Long-term financing under export oriented projects	16.6	1,410,276	2,770,789
		17,356,060	20,083,324
Repurchase agreement borrowings	16.7	28,241,667	22,412,235
		45,597,727	42,495,559
<b>Unsecured</b>			
Call borrowings	16.8	3,772,258	428,195
Overdrawn nostro accounts		7,497	452,682
Trading liabilities		-	806,942
Other borrowings	16.9	1,468,395	3,448,436
		5,248,150	5,136,255
		50,845,877	47,631,814
<b>16.3</b>	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 the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2012. These carry a mark-up rate of 10% per annum (2010: 9% per annum).		
<b>16.4</b>	These borrowings have been obtained from the SBP to finance modernization of Small and Medium Enterprises by providing financing facilities for purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and setting up of new units. In addition, financing for import /local purchase of new generators upto a maximum capacity of 500 KVA is also eligible under this Scheme. These borrowings are repayable within a period ranging from 3 years to 10 years and carry mark-up rates ranging from 5.5% to 7% per annum (2010: 5.5% to 7% per annum).		
<b>16.5</b>	These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernizing their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark-up rates ranging from 9.7% to 11% per annum (2010: 8.2% to 9.5% per annum).		
<b>16.6</b>	These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These borrowings are repayable within a period ranging from 2 years to 7.5 years. These carry mark-up rates ranging from 4% to 5% per annum (2010: 4% to 5% per annum).		
<b>16.7</b>	These repurchase agreement borrowings are secured against Market Treasury Bills and carry mark-up at rates ranging from 11.00% to 11.75% per annum (2010: 12.50% to 13.25% per annum). These borrowings are repayable latest by January 2012. The carrying value of securities given as collateral is given in note 9.1.		
<b>16.8</b>	These are unsecured borrowings and carrying mark-up at rates ranging from 0.35% to 13.15% per annum (2010: 0.35% to 1.58% per annum) and are repayable latest by March 2012.		
<b>16.9</b>	This includes borrowings from an overseas bank for the development of Small and Medium Enterprises in Pakistan, carries mark-up at the rate of six months LIBOR + 1.2% (2010: six months LIBOR + 1.2%) and are repayable by June 2012.		



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	----- (Rupees in '000) -----	
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	185,703,454	169,880,101
Savings deposits	207,827,764	195,535,049
Sundry deposits	7,061,853	4,767,873
Margin deposits	4,052,656	3,696,330
Current accounts - remunerative	6,464,468	4,235,253
Current accounts - non-remunerative	208,228,448	184,647,813
	<u>619,338,643</u>	<u>562,762,419</u>
<b>Financial Institutions</b>		
Remunerative deposits	7,293,860	2,359,999
Non-remunerative deposits	7,256,913	2,488,840
	<u>14,550,773</u>	<u>4,848,839</u>
	<u>633,889,416</u>	<u>567,611,258</u>
<b>17.1 Particulars of deposits and other accounts</b>		
In local currency	467,515,651	415,661,258
In foreign currencies	166,373,765	151,950,000
	<u>633,889,416</u>	<u>567,611,258</u>

**18. SUB-ORDINATED LOANS - UNSECURED**

	Note	Issue Date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2011	2010	
	----- (Rupees in '000) -----								
Term Finance Certificates - I	18.1	August 2004	8 years	8.45%	August 2012	Semi Annual	1,330,000	1,995,388	
Term Finance Certificates - II	18.1	March 2005	8 years	9.49%	March 2013	Semi Annual	1,999,480	1,999,560	
Term Finance Certificates - III	18.1	September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	1,996,000	1,996,800	
Term Finance Certificates - IV	18.2	February 2008	10 Years	For the first five years, 6 months KIBOR+0.85% and for the remaining term, 6 months KIBOR+1.35%	February 2018	Semi Annual	5,991,600	5,994,000	
							<u>11,317,080</u>	<u>11,985,748</u>	

**18.1** These represent listed Term Finance Certificates (TFCs) issued by the Bank. The liability of the Bank is subordinated as to the payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without approval of the SBP.

**18.2** This represents listed Term Finance Certificates (TFCs) issued by the Bank. The liability of the Bank is subordinated as to the payment of principal and profit to all other indebtedness of the Bank (including deposits). The Bank has the right to exercise a call option, subject to SBP approval, after a period of 5 years from the issue date.

	Note	2011	2010
		----- (Rupees in '000) -----	
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		9,309,802	8,427,554
Mark-up / return / interest payable in foreign currency		455,212	334,899
Accrued expenses	19.1	2,431,976	2,275,109
Branch adjustment account		-	1,399,052
Payable against purchase of securities		-	236,683
Payable under severance scheme		32,563	32,563
Unearned commission		163,103	151,611
Provision against off - balance sheet obligations	19.2	629,736	677,989
Unrealized loss on forward foreign exchange contracts		1,133,564	1,696,935
Deferred liabilities	19.3	2,361,933	2,183,918
Unrealised loss on derivative financial instruments	19.4.1 & 23.2	1,862,244	753,854
Workers' Welfare Fund payable		514,621	418,384
Insurance payable against consumer assets		132,393	183,095
Others		325,579	213,205
		<u>19,352,726</u>	<u>18,984,851</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**19.1** This includes an accrual of Rs.255 million (2010: Rs.250 million) for the year ended December 31, 2011 in respect of the Bank's employee motivation and retention scheme. The objective of the scheme is to reward, motivate and retain high performing executives and officers of the Bank by way of bonus in the form of shares of the Bank. The liability of the Bank in respect of this scheme is fixed, determined and approved each year by the Board of Directors of the Bank. The scheme for each year is managed by a separate Trust formed for this purpose.

This also includes an accrual of Rs.4 million (2010: Rs.7 million) for the year ended December 31, 2011 in respect of the employee motivation and retention scheme offered by UBL Fund Managers Limited.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>19.2 Provision against off - balance sheet obligations</b>			
Opening balance		677,989	690,661
Exchange adjustments		532	(195)
Charge during the year	29	4,144	-
Transfers during the year		(52,929)	(227)
Payments during the year		-	(12,250)
		<u>629,736</u>	<u>677,989</u>

**19.3 Deferred liabilities**

Provision for post retirement medical benefits	36.1.4	1,139,591	1,139,616
Deferred liabilities for outsourced services		379,600	296,671
Provision for compensated absences	36.1.4	825,137	677,152
Provision for pension	36.2.1	17,605	70,479
		<u>2,361,933</u>	<u>2,183,918</u>

**19.4 Unrealized gain / (loss) on derivative financial instruments**

	Note	Contract / Notional amount		Unrealised gain / (loss)	
		2011	2010	2011	2010
		----- (Rupees in '000) -----			
- Interest rate swaps		8,444,451	6,985,703	44,192	(111,793)
- Cross currency swaps		35,041,839	35,570,843	(1,511,512)	51,100
- Fx options		-	4,110,884	-	-
- Forward sale contracts of government securities		-	441,981	-	514
	19.4.1	<u>43,486,290</u>	<u>47,109,411</u>	<u>(1,467,320)</u>	<u>(60,179)</u>

	Note	2011 ----- (Rupees in '000) -----	2010
<b>19.4.1 Unrealized gain / (loss) on derivative financial instruments</b>			
Unrealized gain on derivative financial instruments	13	394,924	693,675
Unrealized loss on derivative financial instruments	19	(1,862,244)	(753,854)
	23.2	<u>(1,467,320)</u>	<u>(60,179)</u>

**20. SHARE CAPITAL**
**20.1 Authorized Capital**

	2011	2010		2011	2010
	----- Number of shares -----			----- (Rupees in '000) -----	
	<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**20.2 Issued, subscribed and paid-up capital**

2011	2010		2011	2010
----- Number of shares -----			----- (Rupees in '000) -----	
<b>Fully paid-up ordinary shares of Rs.10 each</b>				
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
706,179,687	706,179,687	Issued as bonus shares	7,061,798	7,061,798
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

**20.3** In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2011, 19,587,958 (2010: 19,625,770) GDRs, representing 78,351,834 (2010: 78,503,082) shares were in issue.

**20.4 Major shareholders (holding more than 5% of total paid-up capital)**

Name of shareholders	2011		2010	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	467,611,120	38.20%	222,775,183	18.20%
State Bank of Pakistan	238,567,381	19.49%	238,567,381	19.49%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%
His Highness Shaikh Nahayan Mabarak Al Nahayan	67,329,867	5.50%	78,942,102	6.45%
Sir Mohammed Anwar Pervez, OBE, HPk	62,433,163	5.10%	62,433,163	5.10%
H.E. Dr. Mana'a Saeed Al Otaiba	-	-	67,492,392	5.51%

The Abu Dhabi Group (ADG) and Bestway (Holdings) Limited (BHL) had entered into a Share Purchase Agreement dated December 28, 2010 for inter se transfer of 20% of the issued and outstanding ordinary shares of the Bank held by ADG to BHL. The inter se transfer of these shares took place on January 26, 2011.

As at December 31, 2011, ADG held 10.30% (2010: 30.30%) shareholding (including GDRs) and the Bestway Group (Bestway) held 51.07% (2010: 31.07%) shareholding of the Bank. However, control continues to rest with the consortium of ADG and Bestway.

	Note	2011	2010
		----- (Rupees in '000) -----	
<b>21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
Surplus / (deficit) arising on revaluation of assets - net of tax :			
Fixed assets			
- Group's share		11,016,498	10,865,342
- Non-controlling interest		564,912	386,706
	21.1	11,581,410	11,252,048
Securities			
- Group's share		(1,829,181)	(2,159,801)
- Non-controlling interest		(30,464)	(1,014)
	21.2	(1,859,645)	(2,160,815)
Deficit arising on revaluation of assets of associates		(70,915)	(84,263)
		<u>9,650,850</u>	<u>9,006,970</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>21.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets at January 01		16,394,246	16,331,741
Revaluation of fixed assets during the year / adjustments		329,495	467,625
Exchange adjustments		69,055	(12,251)
Transferred to unappropriated profit in respect of incremental depreciation during the year		(69,043)	(256,075)
Related deferred tax liability on incremental depreciation during the year	12.1	(36,033)	(136,794)
		<u>293,474</u>	<u>62,505</u>
		16,687,720	16,394,246
Less: Related deferred tax liability on			
Revaluation as on January 01		5,142,198	5,275,900
Revaluation of fixed assets during the year		-	3,092
Exchange adjustments		145	-
Incremental depreciation on related assets	12.1	(36,033)	(136,794)
		<u>5,106,310</u>	<u>5,142,198</u>
		<u>11,581,410</u>	<u>11,252,048</u>
<b>21.2 (Deficit) / surplus on revaluation of available-for-sale securities</b>			
Market Treasury Bills		129,358	(55,830)
Pakistan Investment Bonds		(714,954)	(1,937,605)
Listed shares		(551,038)	(34,452)
Mutual fund units		(34,323)	(709)
Term Finance Certificates, Sukuks, other bonds etc		36,224	(27,242)
Foreign bonds		(1,692,030)	(1,267,279)
		(2,826,763)	(3,323,117)
Related deferred tax asset	12.1	967,118	1,162,302
		<u>(1,859,645)</u>	<u>(2,160,815)</u>
<b>22. CONTINGENCIES AND COMMITMENTS</b>			
<b>22.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring			
Government		2,436,053	8,742,208
Banking companies and other financial institutions		4,786,121	5,766,641
Others		2,537,724	6,124,874
		<u>9,759,898</u>	<u>20,633,723</u>
<b>22.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		78,652,267	82,423,478
Banking companies and other financial institutions		2,788,949	2,470,740
Others		19,930,066	14,018,380
		<u>101,371,282</u>	<u>98,912,598</u>
<b>22.3 Trade-related contingent liabilities</b>			
Contingent liabilities in respect of letters of credit opened favouring			
Government		37,415,189	52,890,721
Banking companies and other financial institutions		2,620,900	760,593
Others		88,267,837	74,685,738
		<u>128,303,926</u>	<u>128,337,052</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	----- (Rupees in '000) -----	
<b>22.4 Other contingencies</b>		
Claims against the Group not acknowledged as debts	<u>22,218,847</u>	<u>21,995,613</u>
<b>22.5 Commitments to extend credit</b>		
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
<b>22.6 Commitments in respect of forward foreign exchange contracts</b>		
Sale	<u>100,302,537</u>	<u>85,906,329</u>
Purchase	<u>142,678,300</u>	<u>131,134,706</u>
<b>22.7 Commitments in respect of derivatives</b>		
Interest rate swaps	<u>8,444,451</u>	<u>6,985,703</u>
Cross currency swaps	<u>35,041,839</u>	<u>35,570,843</u>
FX Options - purchased	<u>-</u>	<u>2,055,442</u>
FX Options - sold	<u>-</u>	<u>2,055,442</u>
Forward sale contracts of government securities	<u>-</u>	<u>441,981</u>
<b>22.8 Commitments in respect of capital expenditure</b>	<u>1,082,145</u>	<u>576,398</u>
<b>22.9</b> For contingencies relating to taxation refer note 13.1		
<b>23. DERIVATIVE INSTRUMENTS</b>		

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank as an Authorized Derivative Dealer (ADD) is an active participant in the Pakistan derivatives market. Although the ADD license covers only the transactions mentioned below (permitted under the Financial Derivatives Business Regulations issued by the SBP), the Bank offers a wide variety of derivatives products to satisfy customers' needs, specific approval for which is sought from the SBP on a transaction by transaction basis:

- (a) Foreign currency options
- (b) Forward rate agreements
- (c) Interest rate swaps
- (d) Cross currency swaps
- (e) Equity indices
- (f) Commodity options

These transactions cover the aspects of both market making and hedging.

The authority for approving policies lies with the Board of Directors the (BoD) and the Board Risk Management Committee (BRMC). The Market Risk Committee (MRC) has been assigned the responsibility of ensuring meticulous compliance with these policies.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

With regard to derivatives, the MRC is authorized to:

- Review the derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank
- Review the Derivatives Business Policy and recommend approval to the BRMC / BoD
- Review and approve derivatives product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with the Treasury and Capital Markets Group (TCM). Measurement & monitoring of market and credit risk exposure and limits and its reporting to the senior management and the BoD is done by Market & Treasury Risk (MTR), which also coordinates with the business regarding approvals for derivatives risk limits. Treasury Operations records derivatives activity in the Bank's books, and handles its reporting to the SBP.

**Derivatives risk management**

There are a number of risks undertaken by the Bank, which need to be monitored and assessed.

**Credit risk**

Credit risk refers to the risk of non-performance or default by a party (a customer, guarantor, trade counterparty, third party, etc.), resulting in an adverse impact on the Bank's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. The credit limit proposals for derivatives transactions are reviewed by the MTR Head who recommends appropriate limits to the Credit Committee for approval. The credit exposure of each counterparty is estimated and monitored by Treasury Middle Office on a daily basis.

**Market risk**

The Bank, as a policy, hedges back-to-back all Options transactions. In addition, the Bank does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Bank has implemented various limits which are monitored and reported by Treasury Middle Office on a daily basis.

**Liquidity risk**

Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Bank mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available.

**Operational risk**

The staff involved in the process of trading, settlement and risk management of derivatives are carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or transaction memo, which contains detailed accounting and operational aspects of the transaction to further mitigate operational risk. In addition, the Treasury Middle Office and the Compliance and Control Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Audit and Inspection Bank also reviews this function, which covers regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Bank uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

Treasury Middle Office produces various reports for higher management (BoD, BRMC, MRC, etc) on a periodic basis. These reports provide details of the derivatives business profile containing outstanding positions, profitability, risk exposures and the status of compliance with limits.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**23.1 Product analysis**

	2011								
	Interest rate swaps		Cross currency swaps		FX options		Forward sale contracts of government securities		Total Notional (Rupees in '000)
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	
<b>With Banks for</b>									
Hedging	4	3,479,100	4	15,273,700	-	-	-	-	18,752,800
Market making	3	1,579,801	1	2,191,250	-	-	-	-	3,771,051
	<u>7</u>	<u>5,058,901</u>	<u>5</u>	<u>17,464,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,523,851</u>
<b>With other entities</b>									
Market making	4	3,385,550	9	17,576,889	-	-	-	-	20,962,439
<b>Total</b>									
Hedging	4	3,479,100	4	15,273,700	-	-	-	-	18,752,800
Market making	7	4,965,351	10	19,768,139	-	-	-	-	24,733,490
	<u>11</u>	<u>8,444,451</u>	<u>14</u>	<u>35,041,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,486,290</u>

	2010								
	Interest rate swaps		Cross currency swaps		FX options		Forward sale contracts of government securities		Total Notional (Rupees in '000)
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	
<b>With Banks for</b>									
Hedging	4	3,475,777	4	14,996,850	82	2,055,442	-	-	20,528,069
Market making	3	1,871,064	2	2,201,000	-	-	-	-	4,072,064
	<u>7</u>	<u>5,346,841</u>	<u>6</u>	<u>17,197,850</u>	<u>82</u>	<u>2,055,442</u>	<u>-</u>	<u>-</u>	<u>24,600,133</u>
<b>With other entities</b>									
Hedging									
Market making	4	1,638,862	9	18,372,993	82	2,055,442	2	441,981	22,509,278
<b>Total</b>									
Hedging	4	3,475,777	4	14,996,850	82	2,055,442	-	-	20,528,069
Market making	7	3,509,926	11	20,573,993	82	2,055,442	2	441,981	26,581,342
	<u>11</u>	<u>6,985,703</u>	<u>15</u>	<u>35,570,843</u>	<u>164</u>	<u>4,110,884</u>	<u>2</u>	<u>441,981</u>	<u>47,109,411</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**23.2 Maturity analysis of derivatives**

Remaining maturity	Number of contracts	Notional principal	2011		
			Unrealized		Net
			(Loss)	Gain	
----- (Rupees in '000) -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	2	6,799,201	(2,581)	68,258	65,677
1 to 2 years	8	5,351,906	(71,252)	82,442	11,190
2 to 3 years	2	3,529,700	(48,378)	-	(48,378)
3 to 5 years	5	21,611,032	(1,623,223)	49,529	(1,573,694)
5 to 10 years	8	6,194,451	(116,810)	194,695	77,885
Above 10 years	-	-	-	-	-
	<u>25</u>	<u>43,486,290</u>	<u>(1,862,244)</u>	<u>394,924</u>	<u>(1,467,320)</u>

Remaining maturity	Number of contracts	Notional principal	2010		
			Unrealized		Net
			(Loss)	Gain	
----- (Rupees in '000) -----					
Upto 1 month	66	1,152,095	-	514	514
1 to 3 months	101	3,425,771	(360)	-	(360)
3 to 6 months	1	9,091	(264)	-	(264)
6 months to 1 year	2	1,050,000	(27,191)	117	(27,074)
1 to 2 years	2	6,921,500	(19,363)	220,133	200,770
2 to 3 years	8	6,039,258	(60,313)	195,625	135,312
3 to 5 years	4	8,883,870	(816)	254,858	254,042
5 to 10 years	8	19,627,826	(645,547)	22,428	(623,119)
Above 10 years	-	-	-	-	-
	<u>192</u>	<u>47,109,411</u>	<u>(753,854)</u>	<u>693,675</u>	<u>(60,179)</u>



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	----- (Rupees in '000) -----	
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	39,817,149	40,321,231
On lendings to financial institutions		
Call money lending	28,593	53,696
Securities purchased under resale agreements	498,919	930,386
Advances to financial institutions	339,060	243,905
	866,572	1,227,987
On investments in		
- Held for trading securities	1,348,322	798,013
- Available for sale securities	15,842,167	8,118,652
- Held to maturity securities	13,246,136	9,169,756
- Associates	-	3,488
	30,436,625	18,089,909
On deposits with financial institutions	183,703	373,882
Discount income	70,094	33,002
	<u>71,374,143</u>	<u>60,046,011</u>
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	23,997,474	19,083,627
On securities sold under repurchase agreements	3,157,294	1,686,337
On other short-term borrowings	2,685,137	3,009,529
On long-term borrowings	1,499,496	1,428,292
	<u>31,339,401</u>	<u>25,207,785</u>
<b>26. GAIN ON SALE OF SECURITIES - NET</b>		
<b>Federal Government Securities</b>		
Market Treasury Bills	184,128	(598)
Pakistan Investment Bonds	(2,617)	(12,899)
	181,511	(13,497)
<b>Ordinary shares of listed companies</b>	171,962	118,090
<b>Other securities</b>	156,277	83,571
	<u>509,750</u>	<u>188,164</u>
<b>27. OTHER INCOME</b>		
Charges recovered from customers	686,836	738,370
Rent on owned properties	178,427	155,590
Income from dealing in derivatives	1,451,939	491,079
Others	85,783	154,222
	<u>2,402,985</u>	<u>1,539,261</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011 ----- (Rupees in '000) -----	2010
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances etc.	28.1	8,566,020	7,799,700
Charge for compensated absences	36.1.8	423,268	152,261
Medical expenses		400,821	384,422
Contribution to defined contribution plan		192,249	132,641
Reversal in respect of defined benefit obligations		(205,085)	(276,975)
Rent, taxes, insurance, electricity etc.		2,604,045	2,345,859
Outsourced service charges including sales commission		1,679,926	1,525,089
Advertisement and publicity		608,484	792,466
Communications		832,158	783,934
Depreciation	11.2	1,329,813	1,576,984
Legal and professional charges		258,469	300,169
Banking service charges		729,405	579,080
Stationery and printing		431,877	450,659
Travelling		262,652	192,471
Cash transportation charges		318,585	292,392
Repairs and maintenance		984,394	748,803
Insurance expense		156,713	94,477
Vehicle expense		152,417	132,446
Amortization	11.3	304,526	224,017
Training and seminars		63,158	53,390
Office running expense		330,414	231,190
Entertainment		131,670	104,718
Cartage, freight and conveyance		84,140	68,378
Auditors' remuneration	28.3	71,867	61,257
Subscriptions		70,079	32,665
Brokerage expenses		30,039	17,153
Sub-ordinated debt related costs		5,280	7,086
Donations	28.2	53,944	84,501
Non-executive Directors' fee and allowances		34,553	42,993
Finance charges on leased assets		-	147
Miscellaneous expenses		326,963	203,484
		<u>21,232,844</u>	<u>19,137,857</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**28.1** This includes employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Group's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs.803.663 million (2010: Rs.612.175 million).

	Note	2011	2010
----- (Rupees in '000) -----			
<b>28.2 Donations exceeding Rs.0.1 million</b>			
Karachi Education Initiative	28.2.1	20,000	40,000
Prime Minister's Relief Fund		10,000	-
Institute of Business Administration		10,000	-
The Kidney Center Postgraduate Training Center (TKCI)		2,850	-
Friends of Burns Centre		2,160	1,008
Civil Hospital Karachi		2,000	-
Medical Aid Foundation		1,000	-
Memon Medical Institute		1,000	-
Family Education Services Foundation		900	900
Marie Adelaide Leprosy Centre		850	850
SOS Children's Villages of Sindh		736	681
Children Welfare School		500	-
Lahore University of Management Sciences		500	815
The Book Group		437	-
Thardeep Rural Development Program (TDRP)		200	-
Khorfakkan Club		235	-
UBL Flood Relief Campaign	28.2.2	-	28,142
Police Hospital Fund		-	5,000
The Citizens Foundation		-	2,200
Hisaar Foundation		-	1,086
Defence Raya Golf & Country Club		-	1,000
Patient Welfare Association		-	800
Edhi Foundation		-	550
Gluckskette - Switzerland		-	410
Special Olympics Pakistan		-	200
Subh-E-Nau		-	300
Umeed-e-Noor		-	150
		53,368	84,092

**28.2.1** The President is a Director on the Board of the Karachi Education Initiative, a sponsoring and fund raising entity of the Karachi School for Business & Leadership.

**28.2.2** During the year, the Bank has paid Rs.18.10 million to M/s. Hisaar Foundation, for flood relief activities, from the funds allocated to the UBL Flood Relief Campaign in 2010.

**28.3 Auditors' remuneration**

	2011			
	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.	Overseas Auditors	Total
----- (Rupees in '000) -----				
Audit fee - Bank	6,455	6,455	29,062	41,972
Audit fee - subsidiaries	-	400	20,208	20,608
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	2,835	1,700	-	4,535
Out of pocket expenses	2,269	2,213	20	4,502
	11,809	10,768	49,290	71,867
	2010			
	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.	Overseas Auditors	Total
----- (Rupees in '000) -----				
Audit fee - Bank	5,738	5,738	23,911	35,387
Audit fee - subsidiaries	-	400	21,135	21,535
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	315	-	-	315
Out of pocket expenses	1,725	1,811	234	3,770
	8,028	7,949	45,280	61,257

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Note	2011	2010
		----- (Rupees in '000) -----	
<b>29. OTHER PROVISIONS / WRITE OFFS - Net</b>			
Provision / (reversal) against other assets - net	13.2	89,935	(122,261)
Provision against off - balance sheet obligations	19.2	4,144	-
Other provisions / write offs		137,309	193,304
Reversal against Ijarah Assets - Specific		(3,261)	(803)
Reversal against Ijarah Assets - General		(1,923)	(2,127)
		<u>226,204</u>	<u>68,113</u>

**30. WORKERS' WELFARE FUND**

Certain members of the Group are liable to pay Workers' Welfare Fund @ 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher, under the Workers' Welfare Ordinance, 1971.

**31. OTHER CHARGES**

Penalties imposed by the SBP	4,826	7,491
Other penalties	613	4,900
Others	99,500	228,000
	<u>104,939</u>	<u>240,391</u>

	2011			
	Overseas	Azad Kashmir	Domestic	Total
	----- (Rupees in '000) -----			
<b>32. TAXATION</b>				
Current	1,020,019	-	7,947,784	8,967,803
Prior years	391,734	-	289,826	681,560
Deferred	(491,456)	5,261	(416,644)	(902,839)
	<u>920,297</u>	<u>5,261</u>	<u>7,820,966</u>	<u>8,746,524</u>

	2010			
	Overseas	Azad Kashmir	Domestic	Total
	----- (Rupees in '000) -----			
Current	1,034,572	22,653	5,793,629	6,850,854
Prior years	414,937	-	392	415,329
Deferred	37,176	(239)	(635,422)	(598,485)
	<u>1,486,685</u>	<u>22,414</u>	<u>5,158,599</u>	<u>6,667,698</u>

	2011	2010
	----- (Rupees in '000) -----	
<b>32.1 Relationship between tax expense and accounting profit</b>		
Accounting profit for the year	<u>23,633,636</u>	<u>17,688,623</u>
Tax on income @ 35% (2010: @ 35%)	8,271,773	6,191,018
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	(160,565)	(58,487)
Prior year tax charge	681,560	415,329
Others	(46,244)	119,838
Tax charge	<u>8,746,524</u>	<u>6,667,698</u>

**33. EARNINGS PER SHARE**

Profit after tax attributable to equity shareholders of the Bank	<u>14,854,785</u>	<u>11,031,630</u>
	---- (Number of shares) ----	
Weighted average number of ordinary shares	<u>1,224,179,687</u>	<u>1,224,179,687</u>
	----- (Rupees) -----	
<b>Earnings per share - basic and diluted</b>	<u>12.13</u>	<u>9.01</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

33.1 Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue at December 31, 2011 or 2010.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>34. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	86,502,444	67,667,226
Balances with other banks	7	19,225,488	26,430,928
		105,727,932	94,098,154
<b>35. STAFF STRENGTH</b>			
		----- (Number) -----	
Permanent		8,975	8,669
Contractual basis		73	104
Group's own staff strength at the end of the year		9,048	8,773
Outsourced		3,515	3,074
Total number of employees at the end of the year		12,563	11,847

**36. DEFINED BENEFIT PLANS**
**36.1 The Bank**
**36.1.1 General description**

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a contributory benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The Bank also maintains an employee compensated absences scheme. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2011.

**36.1.2 Number of employees under the scheme**

The number of employees covered under the following defined benefit schemes are:

	2011 ----- (Number) -----	2010
- Pension fund	7,604	7,723
- Gratuity fund	5,760	5,589
- Benevolent fund	7,064	7,490
- Employee compensated absences	4,102	4,429
- Post retirement medical benefit scheme	8,160	8,277

The pension fund, benevolent fund and post retirement medical benefit schemes include 5,374 (2010: 5,384), 2,833 (2010: 3,010) and 3,979 (2010: 3,797) members respectively who have retired or whose widows are receiving the benefits.

**36.1.3 Principal actuarial assumptions**

The actuarial valuations were carried out as at December 31, 2011 based on the Projected Unit Credit Method, using the following significant assumptions:

	2011 ----- Per annum -----	2010
Discount rate	13.00%	14.50%
Expected rate of return on plan assets	13.00%	14.50%
Expected rate of salary increase	8.00%	12.50%
Expected rate of pension increase	5.25%	6.75%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**36.1.4 Reconciliation of (receivable from) / payable to defined benefit plans**

Note	2011					2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)									
Present value of funded obligations	3,671,958	472,157	424,851	-	-	3,598,231	417,733	420,778	-	-
Fair value of plan assets	(5,477,630)	(381,841)	(827,840)	-	-	(5,527,239)	(325,781)	(799,917)	-	-
	(1,805,672)	90,316	(402,989)	-	-	(1,929,008)	91,952	(379,139)	-	-
Present value of unfunded obligations	-	-	-	831,508	825,137	-	-	-	826,088	677,152
Net actuarial gains or (losses) not recognized (Receivable) / payable	1,748,936	(95,098)	149,817	308,083	-	1,925,416	(100,137)	198,356	313,528	-
	(56,736)	(4,782)	(253,172)	1,139,591	825,137	(3,592)	(8,185)	(180,783)	1,139,616	677,152

**36.1.5 Movement in defined benefit obligations**

Note	2011					2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)									
Obligation at the beginning of the year	3,598,231	417,733	420,778	826,088	677,152	3,585,208	365,292	459,080	852,603	731,908
Current service cost	9,859	53,870	5,063	5,494	44,394	10,788	48,711	6,694	6,430	41,106
Interest cost	170,066	60,966	54,441	120,181	92,237	118,861	48,331	48,347	112,903	104,760
Benefits paid by the Bank	(412,233)	(60,087)	(79,180)	(96,835)	(275,283)	(333,708)	(61,513)	(73,242)	(100,658)	(207,017)
Recognition of prior service cost	-	-	-	-	158,412	-	-	-	-	-
Return allocated to other funds	36.1.8.1	302,709	-	-	-	232,232	-	-	-	-
Actuarial loss / (gain) on obligations	3,326	(325)	23,749	(23,420)	128,225	(15,150)	16,912	(20,101)	(45,190)	6,395
Obligation at the end of the year	3,671,958	472,157	424,851	831,508	825,137	3,598,231	417,733	420,778	826,088	677,152

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

Note	2011					2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)									
Fair value at the beginning of the year	5,527,239	325,781	799,917	-	-	6,107,212	301,174	796,302	-	-
Expected return on plan assets	721,974	48,929	104,336	-	-	642,077	40,904	87,822	-	-
Contribution by the Bank	-	74,545	5,096	-	-	-	68,631	5,450	-	-
Contribution by the employees	-	-	5,096	-	-	-	-	5,450	-	-
Amount paid by the fund to the Bank	(771,758)	(66,421)	(76,885)	-	-	(1,214,658)	(77,251)	(85,232)	-	-
Actuarial gain / (loss) on plan assets	175	(993)	(9,720)	-	-	(7,392)	(7,677)	(9,875)	-	-
Fair value at the end of the year	5,477,630	381,841	827,840	-	-	5,527,239	325,781	799,917	-	-

**36.1.7 Movement in (receivable from) / payable to defined benefit plans**

Note	2011					2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)									
Opening balance	(3,592)	(8,185)	(180,783)	1,139,616	677,152	(402,731)	(15,502)	(131,566)	1,147,095	731,908
Mark-up receivable on Bank's balance	(1,742)	(130)	(274)	-	-	(13,046)	(237)	(1,773)	-	-
Charge / (reversal) for the year	(410,926)	71,743	(64,724)	96,810	423,268	(468,765)	60,447	(53,984)	93,179	152,261
Contribution by the Bank	-	(74,545)	(5,096)	-	-	-	(68,631)	(5,450)	-	-
Amount paid by the Fund to the Bank	771,758	66,421	76,885	-	-	1,214,658	77,251	85,232	-	-
Benefits paid by the Bank	(412,233)	(60,087)	(79,180)	(96,835)	(275,283)	(333,708)	(61,513)	(73,242)	(100,658)	(207,017)
Closing balance	(56,735)	(4,783)	(253,172)	1,139,591	825,137	(3,592)	(8,185)	(180,783)	1,139,616	677,152

**36.1.8 Charge for defined benefit plans**

Note	2011					2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)									
Current service cost	9,859	53,870	5,063	5,494	44,394	10,788	48,711	6,694	6,430	41,106
Interest cost	170,066	60,966	54,441	120,181	92,237	118,861	48,331	48,347	112,903	104,760
Expected return on plan assets	(721,974)	(48,929)	(104,336)	-	-	(642,077)	(40,904)	(87,822)	-	-
Recognition of prior service cost	-	-	-	-	158,412	-	-	-	-	-
Actuarial (gains) / losses	(171,586)	5,836	(14,796)	(28,865)	128,225	(188,569)	4,309	(15,753)	(26,154)	6,395
Return allocated to other funds	36.1.8.1	302,709	-	-	-	232,232	-	-	-	-
Employees' contribution	-	-	(5,096)	-	-	-	-	(5,450)	-	-
	(410,926)	71,743	(64,724)	96,810	423,268	(468,765)	60,447	(53,984)	93,179	152,261

36.1.8.1 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.11.1.

**36.1.9 Actual return on plan assets**

Amongst the defined benefit plans, the pension, gratuity and benevolent fund plans are funded. The actual returns earned on the assets during the year are:

Note	2011					2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	(Rupees in '000)									
Expected return on plan assets	721,974	48,929	104,336	-	-	642,077	40,904	87,822	-	-
Actuarial gain / (loss) on plan assets	175	(993)	(9,720)	-	-	(7,392)	(7,677)	(9,875)	-	-
Actual return on plan assets	722,149	47,936	94,616	-	-	634,685	33,227	77,947	-	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**36.1.10 Five year data on surplus/ (deficit) of the plans and experience adjustments**

Pension Fund	2011	2010	2009	2008	2007
	----- (Rupees in '000) -----				
Present value of defined benefit obligations	(3,671,958)	(3,598,231)	(3,585,208)	(3,625,280)	(4,343,529)
Fair value of plan assets	5,477,630	5,527,239	6,107,212	6,526,828	7,260,256
Surplus	1,805,672	1,929,008	2,522,004	2,901,548	2,916,727
Experience adjustments on plan liabilities [(gain) / loss]	(13,450)	(214,828)	89,216	(87,141)	126,265
Experience adjustments on plan assets [loss / (gain)]	23,879	57,726	(282,376)	(1,195)	(11,848)
<b>Gratuity Fund</b>					
Present value of defined benefit obligations	(472,157)	(417,733)	(365,292)	(384,786)	(399,289)
Fair value of plan assets	381,841	325,781	301,174	291,292	356,676
Deficit	(90,316)	(91,952)	(64,118)	(93,494)	(42,613)
Experience adjustments on plan liabilities [(gain) / loss]	(4,001)	36,338	137,106	43,905	27,782
Experience adjustments on plan assets [loss / (gain)]	8,063	6,400	96,896	55,290	(5,179)
<b>Benevolent Fund</b>					
Present value of defined benefit obligations	(424,851)	(420,778)	(459,080)	(529,647)	(564,591)
Fair value of plan assets	827,840	799,917	796,302	739,180	914,356
Surplus	402,989	379,139	337,222	209,533	349,765
Experience adjustments on plan liabilities [loss / (gain)]	4,886	1,505	(8,798)	138,712	(90,203)
Experience adjustments on plan assets [loss / (gain)]	20,826	2,737	(56,670)	144,550	(45,638)
<b>Post retirement medical</b>					
Present value of defined benefit obligations	(831,508)	(826,088)	(852,603)	(875,509)	(1,202,462)
Experience adjustments on plan liabilities [(gain) / loss]	(34,740)	(26,232)	37,473	761	(67,904)
<b>Employee compensated</b>					
Present value of defined benefit obligations	825,137	677,152	731,908	613,602	843,193

**36.1.11 Effects of a 1% movement in assumed medical cost trend rates**

The annual medical expense entitlement is based on the frozen non-monetized basic pay of employees as on June 30, 2001. Accordingly, movements in medical cost trend rates would not affect current service cost, interest cost and defined benefit obligations for the post retirement medical benefit scheme.

**36.1.12 Components of plan assets as a percentage of total plan assets**

	2011			2010		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
Government securities	89.02%	98.00%	96.47%	83.82%	98.51%	95.35%
Units of mutual funds	0.00%	0.00%	0.00%	5.20%	0.00%	0.00%
Ordinary shares of listed companies	0.68%	0.60%	1.23%	0.69%	0.75%	2.55%
Term finance certificates	10.27%	0.69%	2.29%	9.72%	0.73%	1.99%
Others (including bank balances)	0.03%	0.71%	0.01%	0.57%	0.01%	0.11%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

As per actuarial recommendations, the expected return on plan assets was assumed at 13% per annum on Pension Fund assets, Gratuity Fund assets and Benevolent Fund assets. The expected return on plan assets was determined by considering the expected returns available on the underlying assets.

**36.1.13 Expected contributions to be paid to the funds in the next financial year**

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, the management estimates that the charge / (reversal) in respect of defined benefit plans for the year ended December 31, 2012, subject to the provisions of the Trust Deeds, would be as follows:

	2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	----- (Rupees in '000) -----				
Expected charge / (reversal) for the year	(350,963)	73,876	(55,989)	81,297	321,324

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**36.2 United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.**

As part of the Shareholders' Agreement ("the Agreement") signed on November 09, 2001 between UNBL and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("the Scheme") with effect from November 19, 2001, the date of completion of transfer of the businesses from the Bank and NBP into UNBL (the Completion Date). The Scheme is classified as a defined benefit scheme providing benefits based on final pensionable salary.

Under the terms of the Agreement, UNBL is responsible for the funding requirements of the active members whose employment was transferred to UNBL on the Completion Date and for any new members admitted to the scheme after the Completion Date. United Bank Limited remains responsible for the funding of the deferred members as till the Completion Date.

No new members have been admitted to the scheme since January 01, 2010.

The last full actuarial valuation of the scheme was carried out at January 01, 2008 and was updated as at January 01, 2010 by a qualified actuary on the basis of triennial valuations using Projected Unit Credit Method. The major assumptions used by the actuary are as follows:

	2011	2010
	----- Per annum -----	
Discount rate	4.70%	5.50%
Rate of revaluation of pension in deferment	2.50%	5.00%
Expected rate of salary increase	0.00%	0.00%
Expected rate of pension increase	3.00%	3.50%
Price inflation	2.90%	3.50%

**36.2.1** The assets and liabilities of the scheme noted below relate to those employees for whom UNBL has a funding liability. The total assets of the scheme and the expected rate of return were:

	2011		2010	
	Return	(Rupees '000)	Return	(Rupees '000)
Insurance policy	5.50%	583,312	5.50%	512,198
Total market value of assets		583,312		512,198
Actuarial value of liability		(607,016)		(610,152)
Gross pension liability		(23,704)		(97,954)
Related deferred tax relief		6,099		27,475
Net pension liability		<u>(17,605)</u>		<u>(70,479)</u>

The asset value supplied by the insurance company for 2011 is on a continuing basis. If the policy had been surrendered at December 31, 2011, the surrender value would have been Rs.583.312 million (2010: Rs.512.198 million). It is not UNBL's intention to surrender the policy.

	2011	2010
	----- (Rupees in '000) -----	
<b>36.2.2 Movement in surplus / (deficit) during the year</b>		
Obligation at the beginning of the year	(70,478)	(103,897)
Interest expense	(5,540)	(8,431)
Actuarial losses	84,142	51,631
Exchange adjustment	(31,828)	(37,257)
Related deferred tax relief	6,099	27,475
Obligation at the end of the year	<u>(17,605)</u>	<u>(70,478)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2011.

	2011	2010
	----- (Rupees in '000) -----	
<b>36.2.3 Analysis of the amount credited / (debited) to net interest income</b>		
Expected return on pension scheme assets	28,806	26,609
Interest on pension scheme liabilities	(34,346)	(35,040)
Net return	<u>(5,540)</u>	<u>(8,431)</u>



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**36.3 UBL Fund Managers Limited**

The latest actuarial valuation of the Company's Gratuity Fund has been carried out as at December 31, 2011 using the Projected Unit Credit Method. The main assumptions used in the actuarial valuation are as follows:

**36.3.1 Principal actuarial assumptions**

The key assumptions used for actuarial valuation were as follows:

	2011	2010
	----- Per annum -----	
Discount rate	13.00%	14.50%
Expected rate of return on plan assets	13.00%	14.50%
Expected rate of salary increase	13.00%	14.50%

**36.3.2 Reconciliation of payable to defined benefit plan**

	2011	2010
	----- (Rupees in '000) -----	
Present value of defined benefit obligations	24,330	19,776
Fair value of plan assets	<u>(16,295)</u>	<u>(11,619)</u>
	8,035	8,157
Net actuarial losses not recognized	<u>(1,439)</u>	<u>(2,749)</u>
	<u>6,596</u>	<u>5,408</u>

**36.3.3 Movement in defined benefit obligation**

Obligation at the beginning of the year	19,776	13,168
Current service cost	5,408	4,730
Interest cost	3,196	1,948
Benefits paid	(3,431)	(1,701)
Actuarial losses / (gains)	<u>(619)</u>	<u>1,631</u>
Obligation at the end of the year	<u>24,330</u>	<u>19,776</u>

**36.3.4 Movement in the fair value of plan assets**

Fair value of plan assets at the beginning of the year	11,619	7,246
Expected return on plan assets	2,062	1,270
Contributions to the plan	5,408	4,791
Benefits paid	(3,431)	(1,701)
Actuarial gains	<u>637</u>	<u>13</u>
	<u>16,295</u>	<u>11,619</u>

**36.3.5 Composition of plan assets**

Debt securities	12,082	7,936
Cash	529	592
Equity securities	3,424	2,582
Others	<u>260</u>	<u>509</u>
	<u>16,295</u>	<u>11,619</u>

**36.3.6 Charge for defined benefit plan**

Current service cost	5,408	4,730
Interest cost	3,196	1,948
Expected return on plan assets	(2,062)	(1,270)
Amortization of loss	<u>55</u>	<u>-</u>
	<u>6,597</u>	<u>5,408</u>
Actual return on plan assets	<u>2,701</u>	<u>1,301</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	----- (Rupees in '000) -----	
<b>36.3.7 Movement in net liability recognised</b>		
Opening net asset	5,408	4,791
Expense recognised	6,597	5,408
Contribution to the fund made during the year	<u>(5,408)</u>	<u>(4,791)</u>
Closing net assets	<u>6,596</u>	<u>5,408</u>

**37 OTHER EMPLOYEE BENEFITS**
**37.1 Defined contribution plan**

The Bank operates a contributory provident fund scheme for 5,438 (2010: 5,209) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month. UBL Fund Managers Limited also operates an approved contributory provident fund for 84 (2010: 104) employees. The employer and employee contribute 10% of the basic salary to the funded scheme every month.

**37.2 Employee Motivation and Retention Scheme**

The Bank operates a long term motivation and retention scheme for its employees. The objective of the scheme is to reward, motivate and retain high performing executives and officers of the Bank by way of bonus in the form of shares of the Bank. The liability of the Bank in respect of this scheme is fixed, determined and approved each year by the Board of Directors of the Bank. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs.170.563 million (2010: Rs.206.819 million) and Rs.24.528 million (2010: Rs.33.817 million) were received by the Executives and the Chief Executive respectively from the scheme. For further details, refer note 19.1.

**Employee Stock Option Scheme**

UBL Fund Managers has an incentive scheme for its top performing employees in the form of share options under the policy of Employee Stock Option Scheme (ESOS). The options give a right to eligible employees to acquire shares granted at a specified exercise price. The options vest over 3 years with 50% vesting at the end of second year and 50% vesting at the end of third year.

**37.3 Benazir Employees' Stock Option Scheme**

On August 14, 2009, the Government of Pakistan (GoP) launched the Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

The Scheme needs to be accounted for by the covered entities, including the Bank, under the provisions of amended IFRS 2, Share Based Payments. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the staff costs of the Bank for the year would have been higher by Rs.114 million (2010: Rs.396 million), profit before taxation would have been lower by Rs.114 million (2010: Rs.396 million), unappropriated profit would have been lower by Rs.696 million (2010: Rs.582 million) and reserves would have been higher by Rs.696 million (2010: Rs.582 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs.0.09 per share (2010: Rs.0.32 per share).

**38. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	----- (Rupees in '000) -----					
Fees	-	-	34,553	42,993	11,022	7,935
Managerial remuneration	67,783	61,349	-	-	3,471,809	2,929,531
Charge for defined benefit plan	1,243	1,001	-	-	254,073	215,447
Charge for defined contribution plan	2,030	1,880	-	-	99,592	77,172
Rent and house maintenance	5,299	4,750	-	-	462,352	399,407
Utilities	901	269	-	-	203,840	176,827
Medical	234	65	-	-	99,678	86,505
Conveyance	-	-	-	-	334,846	306,773
Reimbursement of children's education fees	1,464	1,106	-	-	-	-
Others	5,046	3,133	-	-	241,150	196,209
	<u>84,000</u>	<u>73,553</u>	<u>34,553</u>	<u>42,993</u>	<u>5,178,362</u>	<u>4,395,806</u>
Number of persons	<u>1</u>	<u>1</u>	<u>9</u>	<u>9</u>	<u>1,485</u>	<u>1,360</u>

The Bank's President / Chief Executive Officer and certain Executives are provided with free use of Group maintained cars and household equipment.

In addition to the above, all Executives including the Chief Executive Officer of the Bank, are also entitled to certain short and long term employee benefits which are disclosed in notes 36 and 37 to these financial statements.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**39. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of quoted investments other than those classified as held to maturity is based on quoted market price. The fair value of unquoted equity investments other than associates is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of associates is based on the Group's share of the net assets of the associates as per their latest financial statements.

The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

**40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	For the year ended December 31, 2011						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	470,136	6,723,574	35,236,370	9,188,063	447,557	940,372	-
Total expenses	(121,130)	(2,490,438)	(21,265,137)	(4,616,334)	(380,077)	(499,320)	-
Profit before tax	349,006	4,233,136	13,971,233	4,571,729	67,480	441,052	-
Segment return on assets (ROA) (%)	4.9%	0.9%	1.5%	1.0%	8.4%	-	-
Segment cost of funds (%)	0.3%	7.9%	4.1%	7.3%	-	-	-

	For the year ended December 31, 2010						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Total income	471,169	2,650,688	31,949,600	9,523,832	370,918	733,868	-
Total expenses	(102,402)	(692,978)	(21,628,742)	(4,498,316)	(315,443)	(773,571)	-
Profit / (loss) before tax	368,767	1,957,710	10,320,858	5,025,516	55,475	(39,703)	-
Segment return on assets (ROA) (%)	3.7%	0.6%	1.4%	1.0%	7.4%	-	-
Segment cost of funds (%)	0.2%	7.1%	4.0%	7.3%	-	-	-

	As at December 31, 2011						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	1,890,059	363,562,165	622,289,351	338,561,705	562,761	81,148,631	(560,842,322)
Segment non-performing loans (NPL)	616,212	2,151,690	23,920,757	24,442,358	-	13,153	-
Segment provision required against NPL	149,404	1,667,117	19,272,926	18,864,962	-	13,153	-
Segment liabilities	1,416,057	358,598,945	631,503,979	275,169,226	64,977	15,373,280	(560,842,322)

	As at December 31, 2010						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	(Rupees in '000)						
Segment assets (gross of NPL provisions)	5,003,810	248,930,910	588,654,672	279,264,417	483,062	75,809,893	(438,180,097)
Segment non-performing loans (NPL)	-	2,002,017	23,917,326	22,680,582	-	13,153	-
Segment provision required against NPL	-	10,105	18,357,841	15,163,017	-	13,153	-
Segment liabilities	4,667,770	249,756,280	562,906,155	256,095,559	37,560	16,005,144	(438,180,097)

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.

**41. TRUST ACTIVITIES**

The Group is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

**42. RELATED PARTY TRANSACTIONS**

The Group has related party transactions with its associates, employee benefit plans and its Directors and Key Management Personnel.

The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the Key Management Personnel is determined in accordance with the terms of their appointment.

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**42.1. RELATED PARTY TRANSACTIONS**

	2011				2010			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
<b>Balances with other banks</b>								
In current accounts	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	500,006	-	-	-	352,773
	-	-	-	500,006	-	-	-	352,773
<b>Investments</b>								
<b>In shares / mutual funds - cost</b>								
Opening balance	-	-	7,666,215	361,441	-	-	7,522,641	317,176
Investment made during the year	-	-	13,630,136	-	-	-	2,738,412	44,265
Investment sold / liquidated during the year	-	-	(4,313,091)	(52,638)	-	-	(2,434,051)	-
Equity method adjustment	-	-	(700,580)	-	-	-	(160,787)	-
Closing balance	-	-	16,282,680	308,803	-	-	7,666,215	361,441
Provision for diminution in value of investments	-	-	-	58,259	-	-	-	59,803
<b>Advances</b>								
Opening balance	969	143,141	-	-	2,142	103,637	-	-
Addition during the year	-	146,864	-	-	-	172,944	-	-
Repaid during the year	(98)	(58,795)	-	-	(1,173)	(133,440)	-	-
Closing balance	871	231,210	-	-	969	143,141	-	-
<b>Other assets</b>								
Interest mark-up accrued	11	139	-	6,722	-	135	-	6,756
Receivable from staff retirement funds	-	-	-	99,182	-	-	-	66,595
Prepaid insurance	-	-	805	-	-	-	1,368	-
Remuneration receivable from management of fund	-	-	49,583	3,430	-	-	15,011	458
Sales load receivable	-	-	10,474	-	-	-	1,327	-
Formation cost receivable	-	-	6,055	-	-	-	4,961	-
Advance for pre-IPO investment	-	-	100,000	-	-	-	-	-
Other receivable	-	-	50	-	-	-	9,012	-
<b>Borrowings</b>								
Opening balance	-	-	-	428,195	-	-	300,000	100,000
Borrowings during the year	-	-	-	899,480	-	-	2,100,000	1,284,584
Settled during the year	-	-	-	(877,935)	-	-	(2,400,000)	(956,389)
Closing balance	-	-	-	449,740	-	-	-	428,195
Overdrawn nostros	-	-	-	-	-	-	533	-
<b>Deposits and other accounts</b>								
Opening balance	2,796,798	78,683	3,824,208	1,023,817	28,205	19,365	220,116	955,813
Received during the year	15,000,221	1,821,171	36,730,601	83,114,029	9,791,140	498,592	37,943,495	62,733,337
Withdrawn during the year	(14,898,240)	(1,799,262)	(39,337,630)	(82,096,908)	(7,022,547)	(439,274)	(34,339,403)	(62,665,332)
Closing balance	2,898,779	100,592	1,217,179	2,040,939	2,796,798	78,683	3,824,208	1,023,817
Subordinated loans	-	5	5,998	-	-	5	5,999	-
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits	35,518	222	64	2,844	9,431	41	17,769	1,024
Interest / mark-up payable on borrowings	-	-	-	761	-	-	-	-
Interest / mark-up payable on subordinated loans	-	0	167	-	-	0	167	-
Unrealised loss on derivative transactions	-	-	-	1,623,223	-	-	-	618,818
<b>Contingencies and commitments</b>								
Letter of guarantee	1,782,540	-	75,668	-	1,697,143	-	30,031	-
Forward foreign exchange contracts purchase	-	-	-	1,451,040	-	-	-	2,602,090
Forward foreign exchange contracts sale	-	-	-	1,448,555	-	-	-	429,850

	2011				2010			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Mark-up / return / interest earned	126	9,368	-	25,335	260	9,336	-	75,321
Commission / charges recovered	5	11	596	1,860	4	5	954	6,139
Dividend received	-	-	457,847	942	-	-	356,010	2,346
Net gain on sale of investment	-	-	20,724	-	-	-	2,393	-
Realised gain on derivative transactions	-	-	-	2,318,442	-	-	-	2,127,895
Remuneration received from management of fund	-	-	388,456	2,922	-	-	328,610	552
Sales load received	-	-	22,372	351	-	-	7,611	1,508
Other income	-	2,398	90	-	-	528	749	23
Mark-up / return / interest paid	111,731	2,873	112,260	34,468	28,113	942	242,488	22,786
Remuneration paid	-	558,639	-	-	-	507,357	-	-
Post retirement benefits	-	14,203	-	-	-	12,224	-	-
Non-executive directors' fee and allowances	34,553	-	-	-	42,993	-	-	-
Net charge for defined contribution plans	-	-	-	152,907	-	-	-	114,259
Net reversal for defined benefit plans	-	-	-	(305,143)	-	-	-	(402,939)
Payment for employee motivation and retention scheme	-	-	-	230,000	-	-	-	210,000
Donation	-	-	-	20,000	-	-	-	40,000
Insurance premium paid	-	-	250,661	-	-	-	204,492	-
Insurance claims settled	-	-	205,459	-	-	-	164,859	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****43. CAPITAL ADEQUACY**

- 43.1** The Basel II Framework is applicable to the Group whereby the Standardized Approach for reporting Capital Adequacy is currently implemented. Under this approach, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan.

The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Measuring RWAs requires risk mitigants to be applied to the amount of assets shown on a Group's statement of financial position and assignment of weightages according to the degree of inherent risk.

The Group has developed an Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by the SBP. This framework has been approved by the Group's Board of Directors and submitted to the SBP. The Group additionally covers risk not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements. The Group reviews the ICAAP framework on an annual basis and changes/updates are recommended to the Basel II committee for onward submission to the Board of Directors.

The Group plans to move towards the Advanced Approach for Basel II, including the Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for market risk and the Alternate Standardized Approach for operational risk.

**43.2 Capital Management**

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group maintains a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

**Statutory minimum capital and capital adequacy requirements**

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2011 stood at Rs.12,241.798 million (2010: Rs.12,241.798 million) and is in compliance with SBP requirements.

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank. The Group's CAR as at December 31, 2011 was 14.88% (2010: 15.04%). The Group and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits after deduction of the book value of goodwill / intangibles, deficit on revaluation of available for sale investments and 50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position as per the guidelines laid under the Basel II framework.

Tier 2 capital includes general provisions for loan losses, reserves on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (upto a maximum of 50% of Tier 1 capital) after deduction of 50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position as per the guidelines laid under the Basel II Framework.

Tier 3 capital has also been prescribed by the SBP for managing market risk; however, the Group does not have any Tier 3 capital.

Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specified requirements of the SBP that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total RWAs comprise of credit risk, market risk and operational risk.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**43.3 Capital Adequacy Ratio**

The capital adequacy ratio, calculated in accordance with the SBP's guidelines on capital adequacy was as follows:

	2011	2010		
	----- (Rupees in '000) -----			
<b>Regulatory capital base</b>				
<b>Tier I Capital</b>				
- Fully paid-up capital	12,241,798	12,241,798		
- Statutory and general reserves as disclosed on the balance sheet	16,025,214	14,465,696		
- Unappropriated profits	34,207,654	27,576,333		
- Non-controlling interest	2,324,385	2,207,241		
	64,799,051	56,491,068		
<b>Deductions:</b>				
- Book value of intangibles	1,629,965	1,460,661		
- Shortfall in provisions irrespective of relaxation provided	756,000	261,637		
- Reciprocal cross holdings by banks	5,998	5,999		
- 50 % of Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position	127,796	107,573		
	2,519,759	1,835,870		
<b>Total eligible Tier 1 Capital</b>	62,279,291	54,655,198		
<b>Supplementary Capital</b>				
<b>Tier II Capital</b>				
- General provisions or general reserves for loan losses upto a maximum of 1.25% of risk weighted assets	1,008,694	1,425,496		
- Revaluation reserves up to 45%	6,237,431	5,882,008		
- Foreign exchange translation reserve	11,531,541	9,765,294		
- Subordinated loans - upto a maximum of 50% of total eligible Tier 1 capital	6,783,480	7,852,176		
- Cash flow hedge reserve	(95,377)	(198,695)		
	25,465,769	24,726,279		
<b>Deductions:</b>				
- 50 % of Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position	127,796	107,573		
	127,796	107,573		
<b>Total eligible Tier 2 Capital</b>	25,337,973	24,618,706		
<b>Total Eligible Capital</b>	87,617,265	79,273,904		
<b>Risk weighted exposures</b>				
	<b>Capital requirements</b>		<b>Risk weighted assets</b>	
Note	2011	2010	2011	2010
	----- (Rupees in '000) -----			
<b>Credit risk</b>				
Claims on:				
Federal and Provincial Government, SBP and Other Sovereigns – in foreign currency				
	3,210,115	1,910,721	32,101,152	19,107,205
Public Sector Enterprises	894,849	1,285,319	8,948,485	12,853,191
Banks	4,449,085	3,588,852	44,490,848	35,888,515
Corporates	23,927,699	23,688,885	239,276,989	236,888,847
Retail portfolio	2,587,607	3,428,589	25,876,071	34,285,894
Secured by residential property	164,803	174,425	1,648,031	1,744,250
Past due loans	1,875,135	1,945,383	18,751,351	19,453,834
Listed equity investments	134,042	932,518	1,340,416	9,325,181
Unlisted equity investments	2,623,731	83,345	26,237,308	833,448
Investments in fixed assets	2,410,275	2,322,391	24,102,751	23,223,905
Other assets	918,961	673,872	9,189,607	6,738,724
	43,196,302	40,034,300	431,963,009	400,342,994
<b>Market risk</b>				
Interest rate risk	3,662,025	2,355,478	45,775,311	29,443,475
Equity exposure risk	974,613	305,596	12,182,664	3,819,945
Foreign exchange risk	747,440	949,623	9,343,003	11,870,288
	5,384,078	3,610,697	67,300,978	45,133,708
<b>Operational risk</b>				
	7,157,801	6,524,466	89,472,518	81,555,828
	55,738,181	50,169,463	588,736,505	527,032,530
<b>Capital adequacy ratio</b>				
<b>Total eligible regulatory capital held</b>	87,617,265	79,273,904		
<b>Total risk weighted assets</b>	588,736,505	527,032,530		
<b>Capital adequacy ratio</b>	14.88%	15.04%		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**43.4. Credit risk - general disclosures**

The Group follows the Standardized Approach for its Credit Risk Exposures, which sets out fixed risk weights corresponding to external credit ratings where applicable. Where no external rating is available, a 100% risk weight is used.

Under the Standardized Approach, the Capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Bank selects particular ECAIs for each type of claim. The Group utilizes the credit ratings assigned by PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company Limited – Vital Information Systems), Fitch, Moody's and Standard & Poors. The Bank also utilizes rating scores of Export Credit Agencies participating in the "Arrangement on Officially Supported Export Credits".

**Mapping to SBP Rating Grades**

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

**Long-Term Rating Grades Mapping**

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

**Short-Term Rating Grades Mapping**

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**Types of exposures and ECAI's used**

	JCR-VIS	PACRA	FITCH	Moody's	S & P	ECA scores
Corporates	✓	✓	-	✓	-	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	-	✓
Public sector enterprises	✓	✓	-	-	-	-

**Credit exposures subject to Standardized Approach**

Exposures	Rating category / risk weights	2011			2010		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalents	-	23,133,469	-	23,133,469	14,472,104	-	14,472,104
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	121,016,072	-	121,016,072	121,556,124	12,686,226	108,869,898
Foreign currency claims on the SBP arising out of statutory obligations in Pakistan	-	5,175,221	-	5,175,221	5,043,830	-	5,043,830
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1 2 3 4,5 6 Unrated	1,480,528 2,076,447 7,583,570 1,883,061 17,340,678 -	- - - - - -	1,480,528 2,076,447 7,583,570 1,883,061 17,340,678 -	207,144 3,063,371 7,766,882 -	- - - -	207,144 3,063,371 7,766,882 -
		30,364,284	-	30,364,284	20,780,455	2,332	20,778,123
Corporates	0 1 2 3,4 5,6 Unrated	- 42,570,159 19,928,556 487,152 650,243 233,066,988	- 2,522 8,940 1 -	- 42,567,637 19,919,616 487,151 650,243 219,341,138	- 24,189,772 22,955,606 1,081,533 1,456,141 235,683,438	- 2,437,971 191 75,002 17,775,900	- 21,751,801 22,955,415 1,081,533 1,381,139 217,907,538
		296,703,098	13,737,313	282,965,784	285,366,490	20,289,064	265,077,426
Banks	0 1 2,3 4,5 6 Unrated	- 67,325,094 33,351,686 9,807,989 3,333,656 9,581,578	- 28,242,244 - - -	- 39,082,850 33,351,686 9,807,989 3,333,656 9,581,578	- 46,327,423 36,295,927 7,171,065 -	- 17,890,757 2,470,749 1,162,030 -	- 28,436,666 33,825,178 6,009,035 -
		123,400,003	28,242,244	95,157,760	104,353,531	21,523,536	82,829,995
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	1,991,733 - - 4,128	- - - -	1,991,733 - - 4,128	- - - -	- - - -	- - - -
		1,995,861	-	1,995,861	-	-	-
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 1,597,643 - - - 49,823,364	- 299 - - -	- 1,597,344 - - - 17,258,033	- 89,861 4,666 -	- 193 2,678 -	- 89,668 1,988 -
		51,421,007	32,565,630	18,855,377	81,453,562	55,693,379	25,760,183
Retail portfolio	75% 35%	36,874,411 4,708,661	2,372,983 -	34,501,428 4,708,661	48,894,320 4,983,571	3,179,795 -	45,714,525 4,983,571
		41,583,072	2,372,983	39,210,089	53,877,891	3,179,795	50,698,096
Equity Investments	- Listed - Unlisted	1,340,416 17,491,539	- -	1,340,416 17,491,539	9,325,181 555,632	- -	9,325,181 555,632
		18,831,955	-	18,831,955	9,880,813	-	9,880,813
Past due loans	- Less than 20% - Between 20% to 50% - More than 50%	5,903,702 7,717,825 3,463,203	- - -	5,903,702 7,717,825 3,463,203	4,923,887 11,380,748 3,677,090	1,450,172 9,844 -	3,473,715 11,370,904 3,677,090
		17,084,731	-	17,084,731	19,981,725	1,460,016	18,521,709
Past due loans secured against mortgage of residential property:	- past due for more than 90 days - past due by 90 days	178,257 536,227	- -	178,257 536,227	560,433 946,757	- -	560,433 946,757
		714,484	-	714,484	1,507,190	-	1,507,190
Fixed Assets	100%	24,102,751	-	24,102,751	23,223,905	-	23,223,905
Others		9,189,607	-	9,189,607	6,738,724	-	6,738,724
<b>Total</b>		<b>764,715,614</b>	<b>76,918,170</b>	<b>687,797,444</b>	<b>748,236,344</b>	<b>114,834,348</b>	<b>633,401,996</b>

**Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach**

The Group has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Group has in place detailed guidelines with respect to valuation and management of each of these types of collateral. Where the Group's exposure to an obligor is secured by eligible collateral, the Group reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

No credit risk mitigation benefit is taken in the Trading Book.



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****44. RISK MANAGEMENT**

This section presents information about the Group's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

Managing risk is one of the major challenges for the banking industry. The main goal is not to eliminate risk, but rather to be proactive in identifying, assessing and managing risks to the organisation's strategic advantage.

The Bank has an integrated risk management structure in place. The Board Risk Management Committee (BRMC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the implementation of policies as approved by the BRMC. The group is organized into the functions of Market and Treasury Risk, Commercial and FIRMU Credit Policy, Consumer and Retail Credit, Credit Risk Management and Operational Risk and Basel II. Each risk function is headed by a senior manager who reports directly to the Group Executive, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's appetite for risk.
- Recommending risk management policies in accordance with the Basel II framework and international best practices.
- Reviewing policies / manuals and ensuring that these are in accordance with BRMC approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

**44.1 Credit risk**

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Group.

The credit risk management process is driven by the Group's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Board according to their seasoning/maturity. Approvals for Corporate and Consumer loans are centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

The Group manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Limits are also applied to portfolios or sectors where the Group considers it appropriate to restrict credit risk concentrations or to areas of higher risk, or to control the rate of portfolio growth.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**44.2 Segmental information**
**44.2.1 Segments by class of business**

	2011					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	5,956,280	1.56%	6,585,168	1.04%	3,250,238	0.59%
Agri business	47,098,763	12.33%	42,150,054	6.65%	59,505	0.01%
Textile spinning	15,015,949	3.93%	975,609	0.15%	1,001,370	0.18%
Textile weaving	8,322,335	2.18%	1,043,165	0.16%	783,030	0.14%
Textile composite	24,024,679	6.29%	319,769	0.05%	199,997	0.04%
Textile others	12,353,923	3.23%	3,679,286	0.58%	2,922,216	0.53%
Cement	4,502,596	1.18%	1,674,669	0.26%	1,006,931	0.18%
Sugar	7,126,082	1.86%	3,574,065	0.56%	28,939	0.01%
Shoes and leather garments	2,261,079	0.59%	3,273,864	0.52%	178,949	0.03%
Automobile and transportation equipment	5,023,307	1.31%	3,875,871	0.61%	2,951,532	0.54%
Financial	17,678,429	4.63%	13,702,894	2.16%	315,720,176	57.49%
Insurance	-	0.00%	17,048,287	2.69%	7,438	0.00%
Electronics and electrical appliances	2,645,758	0.69%	3,527,863	0.56%	831,435	0.15%
Production and transmission of energy	41,158,790	10.77%	17,177,054	2.71%	20,945,901	3.81%
Paper and allied	1,374,357	0.36%	1,762,145	0.28%	623,438	0.11%
Surgical and metal	335,641	0.09%	3,539,760	0.56%	58,810	0.01%
Contractors	8,167,991	2.14%	18,465,596	2.91%	22,860,205	4.16%
Wholesale traders	13,796,634	3.61%	41,776,985	6.59%	3,342,661	0.61%
Fertilizer dealers	6,870,880	1.80%	11,698,466	1.85%	429,624	0.08%
Sports goods	356,647	0.09%	1,679,032	0.26%	36,154	0.01%
Food industries	10,799,747	2.83%	7,192,939	1.13%	3,876,565	0.71%
Airlines	5,173,722	1.35%	414,250	0.07%	72,829	0.01%
Cables	551,500	0.14%	65,054	0.01%	328,151	0.06%
Construction	17,972,549	4.70%	12,107,200	1.91%	6,643,268	1.21%
Containers and ports	1,762,702	0.46%	8,432,724	1.33%	3,430,024	0.62%
Engineering	1,068,788	0.28%	3,467,976	0.55%	2,185,733	0.40%
Glass and allied	150,762	0.04%	929,968	0.15%	76,524	0.01%
Hotels	2,660,081	0.70%	3,861,057	0.61%	89,227	0.02%
Infrastructure	714,286	0.19%	4,098,615	0.65%	9,365	0.00%
Media	369,290	0.10%	206,796	0.03%	53,209	0.01%
Polyester and fibre	2,734,383	0.72%	236,116	0.04%	155,848	0.03%
Telecommunication	5,987,777	1.57%	6,489,672	1.02%	17,163,745	3.13%
Individuals	54,387,947	14.23%	322,807,568	50.92%	24,957,571	4.54%
Others	53,712,120	14.06%	66,049,879	10.42%	112,922,617	20.56%
	<b>382,115,775</b>	<b>100.00%</b>	<b>633,889,416</b>	<b>100.00%</b>	<b>549,203,225</b>	<b>100.00%</b>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2010					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	6,217,583	1.65%	8,389,268	1.48%	6,082,131	1.12%
Agri business	53,034,196	14.09%	33,824,201	5.96%	315,807	0.06%
Textile spinning	17,497,654	4.65%	1,289,002	0.23%	5,058,213	0.93%
Textile weaving	6,722,278	1.79%	2,477,437	0.44%	4,289,442	0.79%
Textile composite	23,145,685	6.15%	330,764	0.06%	814,737	0.15%
Textile others	13,780,445	3.66%	2,182,465	0.38%	3,740,450	0.69%
Cement	6,803,468	1.81%	1,908,802	0.34%	2,801,403	0.52%
Sugar	8,153,681	2.17%	3,078,292	0.54%	358,817	0.07%
Shoes and leather garments	2,447,523	0.65%	2,216,787	0.39%	298,515	0.06%
Automobile and transportation equipment	4,516,043	1.20%	3,027,770	0.53%	4,940,641	0.91%
Financial	4,989,842	1.33%	16,853,440	2.97%	299,486,924	55.26%
Insurance	-	0.00%	22,443,630	3.95%	43,143	0.01%
Electronics and electrical appliances	2,399,152	0.64%	3,265,744	0.58%	1,541,579	0.28%
Production and transmission of energy	39,057,078	10.37%	17,157,862	3.02%	58,716,619	10.83%
Paper and allied	789,310	0.21%	2,189,563	0.39%	660,772	0.12%
Surgical and metal	2,265,932	0.60%	1,450,750	0.26%	335,306	0.06%
Contractors	4,263,223	1.13%	16,640,821	2.93%	19,463,140	3.59%
Wholesale traders	20,811,787	5.53%	36,074,167	6.36%	1,319,555	0.24%
Fertilizer dealers	6,823,565	1.81%	8,494,701	1.50%	677,458	0.12%
Sports goods	803,919	0.21%	840,738	0.15%	17,885	0.00%
Food industries	6,858,339	1.82%	3,931,436	0.69%	3,699,826	0.68%
Airlines	6,033,039	1.60%	308,457	0.05%	108,106	0.02%
Cables	661,900	0.18%	96,185	0.02%	744,510	0.14%
Construction	21,866,860	5.81%	8,675,833	1.53%	10,260,326	1.89%
Containers and ports	1,813,903	0.48%	1,543,051	0.27%	2,974,909	0.55%
Engineering	1,531,426	0.41%	3,472,111	0.61%	1,618,692	0.30%
Glass and allied	301,653	0.08%	385,593	0.07%	220,958	0.04%
Hotels	2,708,633	0.72%	1,223,853	0.22%	438,627	0.08%
Infrastructure	2,273,671	0.60%	4,285,714	0.76%	40,879	5.81%
Media	620,575	0.16%	365,056	0.06%	78,234	0.01%
Polyester and fibre	1,980,509	0.53%	623,175	0.11%	1,167,952	0.01%
Telecommunication	11,333,927	3.01%	3,894,923	0.69%	17,737,304	0.22%
Individuals	68,881,652	18.30%	278,129,372	49.00%	32,314,749	3.43%
Others	25,091,573	6.65%	76,540,295	13.48%	52,238,221	11.00%
	<b>376,480,024</b>	<b>100.00%</b>	<b>567,611,258</b>	<b>100.00%</b>	<b>534,605,830</b>	<b>100.00%</b>

**44.2.2 Segment by sector**

	2011					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	62,713,766	16.41%	64,423,780	10.16%	70,889,332	12.91%
Private	319,402,009	83.59%	569,465,636	89.84%	478,313,893	87.09%
	<b>382,115,775</b>	<b>100.00%</b>	<b>633,889,416</b>	<b>100.00%</b>	<b>549,203,225</b>	<b>100.00%</b>

	2010					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	64,910,148	17.24%	73,257,674	12.91%	84,238,317	15.54%
Private	311,569,876	82.76%	494,353,584	87.09%	450,367,513	84.46%
	<b>376,480,024</b>	<b>100.00%</b>	<b>567,611,258</b>	<b>100.00%</b>	<b>534,605,830</b>	<b>100.00%</b>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**44.2.3 Details of non-performing advances and specific provisions by class of business segment**

	2011		2010	
	<u>Classified advances</u>	<u>Specific provision</u>	<u>Classified advances</u>	<u>Specific provision</u>
----- (Rupees in '000) -----				
Chemical and pharmaceuticals	219,819	202,894	226,502	196,114
Agri business	1,492,362	982,720	1,430,020	903,057
Textile spinning	4,641,798	4,405,456	5,417,208	4,479,514
Textile weaving	1,118,563	942,390	910,470	873,022
Textile composite	6,233,524	3,914,856	5,210,214	2,337,315
Textile others	3,275,453	2,531,570	2,282,350	1,937,098
Sugar	243,298	63,255	33,638	33,638
Shoes and leather garments	259,343	211,908	226,903	224,110
Automobile and transportation equipment	337,798	215,613	726,577	650,422
Financial	2,317,049	1,821,433	2,166,734	64,132
Electronics and electrical appliances	256,359	248,387	365,354	345,164
Production and transmission of energy	2,433,707	2,371,643	3,049,109	2,981,719
Paper and allied	359,645	262,131	179,264	113,240
Wholesale traders	1,629,270	1,478,940	1,167,377	881,274
Fertilizer dealers	66,459	66,459	7,490	6,878
Sports goods	127,325	127,325	128,325	128,325
Food industries	1,247,467	1,177,347	1,258,725	964,667
Construction	4,178,163	2,213,976	3,885,120	1,134,507
Engineering	668,542	585,544	440,297	410,139
Glass and allied	16,822	16,822	24,527	12,264
Hotels	485,993	123,993	485,993	113,086
Polyester and fibre	1,796,629	1,760,954	1,751,479	1,743,679
Individuals	14,267,464	11,607,632	13,241,553	9,817,528
Others	3,471,318	2,634,314	3,997,849	3,193,224
	<u>51,144,170</u>	<u>39,967,562</u>	<u>48,613,078</u>	<u>33,544,116</u>

**44.2.4 Details of non performing advances and specific provision by sector**

	2011		2010	
	<u>Classified advances</u>	<u>Specific provision</u>	<u>Classified advances</u>	<u>Specific provision</u>
----- (Rupees in '000) -----				
Public / Government	-	-	-	-
Private	<u>51,144,170</u>	<u>39,967,562</u>	<u>48,613,078</u>	<u>33,544,116</u>
	<u>51,144,170</u>	<u>39,967,562</u>	<u>48,613,078</u>	<u>33,544,116</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**44.2.5 Geographical segment analysis**

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	----- (Rupees in '000) -----			
Pakistan operations	20,702,992	620,582,034	49,588,040	408,645,367
Middle East	2,618,024	148,372,957	22,976,014	121,309,333
United States of America	183,781	3,981,189	1,596,319	2,569,842
Karachi Export Processing Zone	28,841	348,345	308,704	136,162
Europe	99,999	33,920,263	11,451,569	16,542,521
	<u>2,930,645</u>	<u>186,622,754</u>	<u>36,332,606</u>	<u>140,557,858</u>
	<u>23,633,636</u>	<u>807,204,788</u>	<u>85,920,646</u>	<u>549,203,225</u>
	-----			
	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	----- (Rupees in '000) -----			
Pakistan operations	14,702,642	554,534,681	39,841,245	429,067,349
Middle East	2,655,182	138,860,848	24,430,003	100,425,762
United States of America	173,800	3,158,076	1,322,216	2,586,153
Karachi Export Processing Zone	34,109	487,149	331,686	232,152
Europe	122,890	29,381,797	9,209,030	2,294,414
	<u>2,985,981</u>	<u>171,887,870</u>	<u>35,292,935</u>	<u>105,538,481</u>
	<u>17,688,623</u>	<u>726,422,551</u>	<u>75,134,180</u>	<u>534,605,830</u>

Total assets employed include intra group items of Rs.Nil.

**44.3 Market risk**

Market risk is the uncertainty that the Group may experience due to movements in market prices. It results from changes in interest rates, exchange rates, equity prices and volatilities of individual market factors as well as the correlations between them. Each component of risk includes a general market risk and a specific aspect of market risk that originates in the portfolio structure of the Group.

Measuring and controlling market risk is usually carried out at the portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls also include limits on exposure to individual market risk variables as well as on concentrations of tenors, issuers etc.

Trading activities are centered in the Treasury and Capital Markets (TCM) Group to facilitate clients as well as run proprietary positions. The Group is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk (MTR) division performs market risk management activities. The division is composed of two units, Market Risk Management and Treasury Middle Office. The Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modelling and testing/implementation of risk management systems. Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of any deviation to senior management, and MIS reporting.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The scope of market risk management is as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the BoD and the BRMC.
- To develop, review and upgrade procedures for the effective implementation of Market Risk Management policies approved by the BoD and BRMC jointly with the senior management through the Market Risk Committee (MRC).
- To review new product proposals and propose/recommend/approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

**44.3.1 Foreign Exchange Risk**

	<b>2011</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Off - balance sheet items</b>	<b>Net currency exposure</b>
	----- (Rupees in '000) -----			
Pakistan Rupee	606,850,049	519,024,337	(5,730,401)	82,095,311
US Dollar	76,409,469	51,623,225	(22,291,577)	2,494,667
Pound Sterling	17,776,815	24,308,099	6,648,654	117,370
Japanese Yen	226,604	15,029	(44,050)	167,525
Euro	2,535,224	6,328,959	3,692,595	(101,140)
UAE Dirham	68,551,825	83,187,244	9,218,891	(5,416,528)
Bahrain Dinar	9,313,278	12,733,254	3,956,376	536,400
Qatari Riyal	12,798,773	13,011,881	2,383,686	2,170,578
Other Currencies	12,742,751	11,052,114	2,165,826	3,856,463
	<u>807,204,788</u>	<u>721,284,142</u>	<u>-</u>	<u>85,920,646</u>

	<b>2010</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Off - balance sheet items</b>	<b>Net currency exposure</b>
	----- (Rupees in '000) -----			
Pakistan Rupee	547,197,800	469,978,241	(8,122,491)	63,767,307
US Dollar	56,398,485	44,207,358	(12,152,248)	(387,638)
Pound Sterling	20,040,481	21,097,938	4,639,813	7,280,372
Japanese Yen	53,059	50,954	153,317	3,543
Euro	7,344,580	10,565,460	3,514,291	174,812
UAE Dirham	73,694,812	82,762,008	8,968,295	(99,593)
Bahrain Dinar	9,079,631	11,750,538	2,654,725	(16,182)
Qatari Riyal	3,541,983	3,746,636	256,878	52,225
Other Currencies	9,071,720	7,129,238	87,420	4,359,334
	<u>726,422,551</u>	<u>651,288,371</u>	<u>-</u>	<u>75,134,180</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Foreign Exchange Risk is the uncertainty that the Group is exposed to due to changes in exchange rates. Limits are used to monitor exposure in individual currencies and also on an overall basis to ensure compliance with the SBP's Foreign Exchange Exposure Limit.

The Group is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by Treasury and Capital Markets Group. These trading exposures are subject to monitoring through prescribed stress tests and sensitivity analysis.

The Group's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in different currencies. Treasury and Capital Markets Group from time to time, proactively hedges expected foreign currency exposures, in accordance with the instructions of the SBP and subject to pre-defined limits.

**44.3.2 Equity position risk**

Equity position risk arises due to changes in the prices of individual stocks or levels of equity indices. The Group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium-term view of both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Group.

**44.3.3 Yield / interest rate risk**

Interest rate risk is the uncertainty resulting from changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off balance sheet assets and liabilities or shifts in the yield curve. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

The objective of yield / interest rate risk management is to minimize adverse impacts to the Group's profitability. Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**44.3.4 Mismatch of interest rate sensitive assets and liabilities**

Effective yield/ Interest rate	Total	2011 Exposed to Yield / Interest risk									Non-interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years		
		(Rupees in '000)										
%												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.02%	86,502,444	1,493,861	-	-	-	-	-	-	-	-	85,008,583
Balances with other banks	1.03%	19,225,488	11,386,824	1,283,131	1,501,090	362,992	-	-	-	-	-	4,691,451
Lendings to financial institutions	6.04%	9,536,211	1,969,092	3,260,425	3,059,422	239,052	-	-	-	-	-	1,008,220
Investments	11.82%	301,106,877	8,762,136	26,155,710	48,134,921	133,522,213	5,432,458	1,992,804	33,331,342	21,814,159	1,495,740	20,465,394
Advances	12.10%	-	-	-	-	-	-	-	-	-	-	-
Performing		329,962,911	73,120,559	155,778,660	43,798,453	13,393,129	6,321,188	9,788,763	8,854,396	3,152,668	15,755,095	-
Non-performing		11,176,608	-	-	-	-	-	-	-	-	-	11,176,608
Operating fixed assets - Ijara assets	10%-23%	441,220	11,273	22,546	33,819	67,638	135,276	135,276	35,392	-	-	-
Other assets	0%	14,685,024	-	-	-	-	-	-	-	-	-	14,685,024
		772,636,783	96,743,745	186,500,472	96,527,705	147,585,024	11,888,922	11,916,843	42,221,130	24,966,827	17,250,835	137,035,280
<b>Liabilities</b>												
Bills payable	0%	5,879,043	-	-	-	-	-	-	-	-	-	5,879,043
Borrowings	12.23%	50,845,877	31,652,731	10,014,137	4,504,431	255,614	261,447	405,482	1,265,795	2,486,240	-	-
Deposits and other accounts	4.29%	633,889,416	257,358,520	61,964,021	25,396,989	37,998,455	6,008,997	5,107,404	7,499,243	6,453,061	4,303	226,098,423
Subordinated loans	12.80%	11,317,080	-	8,652,640	-	665,040	1,999,400	-	-	-	-	-
Other liabilities	0%	18,372,050	-	-	-	-	-	-	-	-	-	18,372,050
		720,303,466	289,011,251	80,630,798	29,901,420	38,919,109	8,269,844	5,512,886	8,765,038	8,939,301	4,303	250,349,516
<b>On-balance sheet gap</b>		<b>52,333,317</b>	<b>(192,267,506)</b>	<b>105,869,674</b>	<b>66,626,285</b>	<b>108,665,915</b>	<b>3,619,078</b>	<b>6,403,957</b>	<b>33,456,092</b>	<b>16,027,526</b>	<b>17,246,532</b>	<b>(113,314,236)</b>
<b>Non financial net assets</b>		<b>33,587,329</b>										
<b>Total net assets</b>		<b>85,920,646</b>										
<b>Off-balance sheet financial instruments</b>												
Interest Rate Derivatives - Long position		8,444,451	1,000,000	2,149,300	329,801	250,000	1,000,000	-	-	3,715,350	-	-
Interest Rate Derivatives - Short position		(8,444,451)	-	(3,385,550)	(1,579,801)	-	(1,000,000)	-	-	(2,479,100)	-	-
Cross Currency Swap - Long position		35,041,839	5,255,285	24,924,238	4,862,316	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(35,041,839)	(5,255,285)	(24,924,238)	(4,862,316)	-	-	-	-	-	-	-
Forward Sale of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-
Foreign currency forward sales		(100,302,537)	(55,094,372)	(29,313,441)	(15,894,724)	-	-	-	-	-	-	-
Foreign currency forward purchases		142,678,300	67,796,794	45,893,954	27,202,572	1,784,980	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>42,375,763</b>	<b>13,702,422</b>	<b>15,344,263</b>	<b>10,057,848</b>	<b>2,034,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,236,250</b>	<b>-</b>	<b>-</b>
<b>Total yield / interest risk sensitivity gap</b>		<b>94,709,080</b>	<b>(178,565,084)</b>	<b>121,213,937</b>	<b>76,684,133</b>	<b>110,700,895</b>	<b>3,619,078</b>	<b>6,403,957</b>	<b>33,456,092</b>	<b>17,263,776</b>	<b>17,246,532</b>	<b>(113,314,236)</b>
<b>Cumulative yield / interest risk sensitivity gap</b>			<b>(178,565,084)</b>	<b>(57,351,147)</b>	<b>19,332,986</b>	<b>130,033,881</b>	<b>133,652,959</b>	<b>140,056,916</b>	<b>173,513,008</b>	<b>190,776,784</b>	<b>208,023,316</b>	<b>94,709,080</b>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates.



**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Effective yield/ Interest rate	Total	2010 Exposed to Yield / Interest risk									Non-interest bearing financial instruments	
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years		
		(Rupees in '000)										
%												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.28%	67,667,226	-	-	-	-	-	-	-	-	-	67,667,226
Balances with other banks	0.67%	26,430,928	19,733,240	4,489,309	211,360	-	-	-	-	-	-	1,997,019
Lendings to financial institutions	9.20%	11,934,778	4,970,604	2,429,720	732,223	1,284,550	2,165,956	145,058	206,667	-	-	-
Investments	11.01%	231,717,214	14,349,668	75,393,453	82,847,477	15,846,289	3,619,142	3,650,019	4,572,191	17,912,130	3,961,636	9,565,209
Advances	11.75%											
Performing		326,441,450	52,735,525	186,687,213	57,323,119	11,909,154	4,178,645	7,623,532	5,875,584	34,180	74,498	-
Non-performing		15,068,962	-	-	-	-	-	-	-	-	-	15,068,962
Operating fixed assets - Ijara assets	6.55%-25.00%	692,584	346,292	9,765	18,603	26,533	48,910	125,787	80,692	35,908	94	-
Other assets	0%	15,260,762	-	-	-	-	-	-	-	-	-	15,260,762
		695,213,904	92,135,329	269,009,460	141,132,782	29,066,526	10,012,653	11,544,396	10,735,134	17,982,218	4,036,228	109,559,178
<b>Liabilities</b>												
Bills payable	0%	5,074,700	-	-	-	-	-	-	-	-	-	5,074,700
Borrowings	11.02%	47,631,814	28,725,353	5,596,108	7,670,247	544,798	332,891	855,859	569,933	3,336,625	-	-
Deposits and other accounts	3.98%	567,611,258	113,347,019	129,330,528	63,404,043	51,534,152	3,044,356	2,281,413	2,358,697	8,692,490	-	193,618,560
Subordinated loans	11.91%	11,985,748	-	7,991,228	-	665,040	1,330,080	1,999,400	-	-	-	-
Other liabilities	0%	16,780,793	-	-	-	-	-	-	-	-	-	16,780,793
		649,084,313	142,072,372	142,917,864	71,074,290	52,743,990	4,707,327	5,136,672	2,928,630	12,029,115	-	215,474,053
<b>On-balance sheet gap</b>		<b>46,129,591</b>	<b>(49,937,043)</b>	<b>126,091,596</b>	<b>70,058,492</b>	<b>(23,677,464)</b>	<b>5,305,326</b>	<b>6,407,724</b>	<b>7,806,504</b>	<b>5,953,103</b>	<b>4,036,228</b>	<b>(105,914,875)</b>
<b>Non financial net assets</b>		<b>29,004,589</b>										
<b>Total net assets</b>		<b>75,134,180</b>										
<b>Off-balance sheet financial instruments</b>												
Interest Rate Derivatives - Long position		6,985,703	2,000,000	1,129,713	380,183	-	500,000	1,000,000	-	1,975,807	-	-
Interest Rate Derivatives - Short position		(6,985,703)	-	(1,629,713)	(1,880,183)	(1,000,000)	-	(1,000,000)	-	(1,475,807)	-	-
Cross Currency Swap - Long position		35,570,843	5,255,285	24,893,088	5,422,470	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(35,570,843)	(5,255,285)	(24,893,088)	(5,422,470)	-	-	-	-	-	-	-
FX Options - Long position		2,055,442	-	-	-	-	-	-	-	-	-	2,055,442
FX Options - Short position		(2,055,442)	-	-	-	-	-	-	-	-	-	(2,055,442)
Forward Sale of Govt. Securities		(441,981)	-	(441,981)	-	-	-	-	-	-	-	-
Foreign currency forward sales		(85,906,329)	(48,388,154)	(32,245,519)	(5,246,944)	(25,712)	-	-	-	-	-	-
Foreign currency forward purchases		131,134,706	52,344,200	50,772,312	26,823,607	1,149,200	45,387	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>44,786,396</b>	<b>5,956,046</b>	<b>17,584,812</b>	<b>20,076,663</b>	<b>123,488</b>	<b>545,387</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>
<b>Total yield / interest risk sensitivity gap</b>		<b>90,915,987</b>	<b>(43,980,997)</b>	<b>143,676,408</b>	<b>90,135,155</b>	<b>(23,553,976)</b>	<b>5,850,713</b>	<b>6,407,724</b>	<b>7,806,504</b>	<b>6,453,103</b>	<b>4,036,228</b>	<b>(105,914,875)</b>
<b>Cumulative yield / interest risk sensitivity gap</b>			<b>(43,980,997)</b>	<b>99,695,411</b>	<b>189,830,566</b>	<b>166,276,590</b>	<b>172,127,303</b>	<b>178,535,027</b>	<b>186,341,531</b>	<b>192,794,634</b>	<b>196,830,862</b>	<b>90,915,987</b>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**
**44.4 Liquidity Risk**

Liquidity risk is the risk that the Group may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liability Management Committee (ALCO) of the Group has the responsibility for the formulation of overall strategy and oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Group's business.

**44.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Group**

The maturity profile disclosed below includes maturities of products that do not have a contractual maturity. The maturity profile of such products is based on the historical behavioural pattern of these products and has been approved by ALCO.

	2011									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	86,502,444	42,414,468	8,050,396	5,178,834	6,364,723	6,864,088	187,185	146,953	17,295,797	-
Balances with other banks	19,225,488	14,794,774	3,060,472	986,612	383,630	-	-	-	-	-
Lendings to financial institutions	9,536,211	1,697,545	3,622,713	2,548,894	182,579	176,260	300,000	-	1,008,220	-
Investments	301,106,877	3,402,133	21,918,853	36,558,941	133,780,299	18,986,898	11,630,585	34,008,730	21,961,373	18,859,065
Advances - Performing	329,962,911	82,073,757	76,283,752	36,663,904	31,358,067	13,258,369	15,011,594	22,367,318	35,816,836	17,129,314
Non-performing	11,176,608	-	-	-	-	-	-	-	11,176,608	-
Operating fixed assets	25,722,481	145,840	154,035	242,307	394,266	1,056,601	968,883	2,515,137	3,504,117	16,741,295
Deferred tax asset	1,991,667	-	-	-	896,516	1,095,151	-	-	-	-
Other assets	21,980,101	3,641,073	4,131,670	10,767,077	2,509,808	366,747	66,305	-	497,421	-
	807,204,788	148,169,590	117,221,891	92,946,569	175,869,888	41,804,114	28,164,552	59,038,138	91,260,372	52,729,674
<b>Liabilities</b>										
Bills payable	5,879,043	5,879,043	-	-	-	-	-	-	-	-
Borrowings	50,845,877	31,652,743	10,014,125	4,504,430	255,614	261,447	405,483	1,265,795	2,486,240	-
Deposits and other accounts	633,889,416	110,575,132	100,010,929	72,097,141	76,594,933	73,105,622	6,904,982	19,659,374	174,941,303	-
Subordinated loans	11,317,080	-	998,908	-	998,908	2,667,136	667,728	4,800	5,979,600	-
Other liabilities	19,352,726	8,899,694	2,458,045	2,233,374	2,192,189	395,500	93,145	75,772	3,005,007	-
	721,284,142	157,006,612	113,482,007	78,834,945	80,041,644	76,429,705	8,071,338	21,005,741	186,412,150	-
<b>Net assets</b>	85,920,646	(8,837,022)	3,739,884	14,111,624	95,828,244	(34,625,591)	20,093,214	38,032,397	(95,151,778)	52,729,674
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	27,495,959									
Unappropriated profit	34,207,654									
Non-controlling interest	2,324,385									
Surplus on revaluation of assets	9,650,850									
	85,920,646									

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2010									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
<b>Assets</b>										
Cash and balances with treasury banks	67,667,226	62,619,532	-	-	-	-	-	-	-	5,047,694
Balances with other banks	26,430,928	21,730,259	4,489,309	211,360	-	-	-	-	-	-
Lendings to financial institutions	11,934,778	5,796,233	2,429,728	897,322	1,071,050	1,388,722	145,058	206,665	-	-
Investments	231,717,214	11,853,741	43,738,459	63,448,607	36,103,690	17,925,607	22,700,516	11,281,533	12,838,951	11,826,110
Advances - Performing	326,441,450	97,158,964	98,492,837	27,027,709	25,160,493	6,924,150	12,388,931	21,201,986	28,367,635	9,718,745
Non-performing	15,068,962	-	-	-	-	-	-	-	15,068,962	-
Operating fixed assets	24,684,566	2,408,336	410,927	883,482	1,414,936	1,970,618	998,142	1,583,020	2,267,867	12,747,238
Deferred tax asset	1,298,247	-	-	-	584,125	714,122	-	-	-	-
Other assets	21,179,180	7,232,631	9,279,214	183,940	4,176,229	297,012	-	9,504	650	-
	726,422,551	208,799,696	158,840,474	92,652,420	68,510,523	29,220,231	36,232,647	34,282,708	58,544,065	39,339,787
<b>Liabilities</b>										
Bills payable	5,074,700	4,895,421	179,279	-	-	-	-	-	-	-
Borrowings	47,631,814	29,655,296	5,596,108	7,547,247	544,798	332,891	761,776	524,380	2,669,318	-
Deposits and other accounts	567,611,258	435,033,340	56,131,986	25,441,292	21,159,934	5,323,709	4,090,718	4,003,809	16,426,470	-
Subordinated loans	11,985,748	-	2,028	-	666,640	1,997,816	2,667,136	670,128	5,982,000	-
Other liabilities	18,984,851	199,913	7,150,286	679,457	5,847,004	2,711,842	494,052	-	1,902,297	-
	651,288,371	469,783,970	69,059,687	33,667,996	28,218,376	10,366,258	8,013,682	5,198,317	26,980,085	-
<b>Net assets</b>	<b>75,134,180</b>	<b>(260,984,274)</b>	<b>89,780,787</b>	<b>58,984,424</b>	<b>40,292,147</b>	<b>18,853,973</b>	<b>28,218,965</b>	<b>29,084,391</b>	<b>31,563,980</b>	<b>39,339,787</b>
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	24,101,838									
Unappropriated profit	27,576,333									
Non-controlling interest	2,207,241									
Surplus on revaluation of assets	9,006,970									
	<u>75,134,180</u>									

**44.5 Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group's Operational Risk Management implementation framework is based on the Advanced Risk Management architecture. The framework is flexible enough to implement in stages, and permits the overall risk management approach to evolve in response to organizational learning and the future needs of the organization.

Following are the high-level strategic initiatives that the Bank has undertaken for the effective implementation of Operational Risk Management:

- Recruiting skilled resources for Operational Risk Management.
- Developing an operational risk management infrastructure.
- Determining the current state of key risks and their controls residing in each business unit.
- Developing policies, procedures and defining end-to-end information flow to establish a vigorous governance infrastructure.
- Implementing systems for data collection, migration, validation and retention for current and historical reference and calculation.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

A consolidated Business Continuity Plan is being augmented for the Group which encompasses roles and responsibilities, recovery strategy, IT and structural backups, scenario and impact analyses and testing directives.

There are several IT developments underway in the credit, market and operational risk areas. Specifically for operational risk mitigation and control, an IT infrastructure is being developed along with the other high-level initiatives, including process re-engineering and creating an inventory of risks and controls within the Group. A methodology for Risk and Control Self Assessment has been implemented at all core units of the Group.

**45. ISLAMIC BANKING BUSINESS**

The Group operates 14 (2010: 6) Islamic Banking branches and 15 (2010: 17) Islamic Banking windows. The statement of financial position of the Group's Islamic Banking branches at December 31, 2011 is as follows:

	2011	2010
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	520,737	389,582
Balances with other banks	2,185,282	496,654
Lendings to financial institutions	-	-
Investments	5,006,664	2,884,260
Financing and receivables		
- Murabaha	355,909	203,787
- Musharaka	111,111	166,667
- Diminishing Musharaka	67,051	90,888
Provision against advances	(21,982)	-
	512,089	461,342
Operating fixed assets including assets given on Ijarah	503,512	426,052
Due from Head Office	-	83,725
Other assets	384,977	297,649
<b>Total Assets</b>	<u>9,113,261</u>	<u>5,039,264</u>
<b>LIABILITIES</b>		
Bills payable	960	970
Due to financial institutions		
Deposits and other accounts		
- Current accounts	1,453,763	724,750
- Saving accounts	1,233,772	933,100
- Term deposits	1,652,628	1,456,596
- Deposits from financial institutions - remunerative	2,841,225	1,344,775
	7,181,388	4,459,221
Due to head office	1,339,874	-
Other liabilities	105,099	101,782
	8,627,321	4,561,973
<b>NET ASSETS</b>	<u>485,940</u>	<u>477,291</u>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Accumulated losses	(199,658)	(203,000)
	481,342	478,000
Surplus / (deficit) on revaluation of assets	4,598	(709)
	<u>485,940</u>	<u>477,291</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The profit and loss account of the Group's Islamic Banking Branches for the year ended December 31, 2011 is as follows:

	<b>2011</b>	<b>2010</b>
	----- (Rupees in '000) -----	
Return earned	885,293	623,262
Return expensed	(614,947)	(308,015)
	270,346	315,247
Provision against loans and advances - net (Reversal) / provision for diminution in value of investments	21,982 (27,384)	- 69,091
Reversal against assets given on Ijarah	(5,184)	(2,930)
	(10,586)	66,161
Net return after provisions	280,932	249,086
<b>Other income</b>		
Fee, commission and brokerage income	8,755	5,996
Dividend income	29,586	9,871
Income from dealing in foreign currencies	331	1,414
Loss on sale of securities	-	(4,750)
Other income	5,694	2,184
Total other income	44,366	14,715
	325,298	263,801
<b>Other expenses</b>		
Administrative expenses	304,458	289,921
Other provisions / write offs	17,498	2,476
Total other expenses	321,956	292,397
Net profit / (loss) for the year	3,342	(28,596)
Accumulated losses brought forward	(203,000)	(174,404)
Accumulated losses carried forward	(199,658)	(203,000)
	2,482	2,615
	2,482	2,615
<b>Charity Fund</b>		
Opening balance	11,792	20,732
Addition during the year	3,825	840
Payments during the year	(6,650)	(9,780)
Closing balance	8,967	11,792

**46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on February 21, 2012 has proposed a cash dividend in respect of 2011 of Rs. 6 per share (2010: Rs.4 per share). In addition, the Directors have also announced a bonus issue of Nil (2010: Nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2011 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2012.

**47. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on February 21, 2012 by the Board of Directors of the Group.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011****48. GENERAL****48.1 Comparatives**

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation. Major reclassifications made are as follows:

- Rs.171.666 million has been reclassified from mark-up / return / interest expensed - discount expense to administrative expenses - banking service charges.
- Rs.450 million has been reclassified from lendings to financial institutions to balances with other banks in deposit accounts.

**48.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

Atif R. Bokhari  
President and  
Chief Executive Officer

Seerat Asghar  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**1) Particulars of investments held in listed companies and Modarbas**

Investee	Number of shares / certificates held	Paid up value per share / certificate  (Rupees)	Total paid up value  (Rupees in '000)	Cost
<b><u>Held for trading securities</u></b>				
<b>Investments in ordinary shares</b>				
Engro Corporation Limited	190,000	10.00	1,900	24,750
Fauji Fertilizer Company Limited	370,000	10.00	3,700	63,317
Fauji Fertilizer Bin Qasim Limited	30,000	10.00	300	1,623
MCB Bank Limited	235,300	10.00	2,353	39,302
National Bank of Pakistan	1,556,682	10.00	15,567	68,691
Pakistan Telecommunication Company Limited	600,000	10.00	6,000	7,361
Pak Oilfields Limited	91,556	10.00	916	32,841
Pakistan Petroleum Limited	804,018	10.00	8,040	148,897
				<b><u>386,782</u></b>
<b>Investment in units of mutual funds</b>				
Aberdeen Money Market Funds	313	148	46,307	<b><u>44,251</u></b>
				<b><u>44,251</u></b>
<b><u>Available for sale securities</u></b>				
<b>Investments in ordinary shares</b>				
Adamjee Insurance Company Limited	1,689,000	10.00	16,890	226,490
D.G. Khan Cement Limited	3,787,387	10.00	37,874	147,340
Engro Corporation Limited	3,581,624	10.00	35,816	520,225
Engro Foods Limited	1,093,000	10.00	10,930	27,325
Engro Polymer & Chemicals Limited	3,950,857	10.00	39,509	69,785
Fatima Fertilizer Company Limited	7,047,219	10.00	70,472	150,261
Fauji Cement Company Limited	100,117,247	10.00	1,001,172	1,584,402
Fauji Fertilizer Company Limited	3,306,236	10.00	33,062	535,939
Hub Power Company Limited	14,812,467	10.00	148,125	555,235
IGI Investment Bank Limited	9,986,501	10.00	99,865	99,865
International Steels Limited	2,824,488	10.00	28,245	39,741
KASB Securities Limited	1,382,627	10.00	13,826	93,327
Kot Addu Power Company Limited.	3,377,072	10.00	33,771	146,224
Lotte Pakistan PTA Limited	4,000,000	10.00	40,000	53,027
National Bank of Pakistan	6,759,205	10.00	67,592	364,333
Nishat Power Limited	6,161,387	10.00	61,614	96,496
Pak Oilfields Limited	840,199	10.00	8,402	303,060
Pakistan Petroleum Limited	1,765,968	10.00	17,660	341,488
Pakistan State Oil Company Limited	1,293,023	10.00	12,930	345,196
Pakistan Telecommunication Company Limited	3,189,375	10.00	31,894	65,371
Shell Pakistan Limited	106,672	10.00	1,067	24,966
DP World	6,926	1,798.84	12,459	16,197
PICIC Growth Fund	600	10.00	6	10
1st Fidelity Leasing Modaraba	997	10.00	10	26
				<b><u>5,806,330</u></b>
<b>Investments in preference shares</b>				
Chenab Limited	8,701,482	10.00	87,015	87,015
Masood Textile Mills Limited	11,000,000	10.00	110,000	110,000
JSC Alliance Bank	95,720	4,087.73	288,921	288,921
				<b><u>485,936</u></b>
<b>Investments in units of mutual funds</b>				
ABL Cash Fund	127,206,219	10.00	1,272,062	1,300,000
ABL Income Fund	48,780,012	10.00	487,800	500,000
ABL Government Securities Fund - B	20,000,000	10.00	200,000	200,000
Meezan Islamic Income Funds	2,209,003	50.00	110,450	114,075
ABL Asset management	6,896,011	10.02	69,130	65,000
				<b><u>2,179,075</u></b>

**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**2) Particulars of investments held in unlisted companies**

Investee	Percentage of holding (%)	Number of shares / certificates held	Breakup-up	Paid up	Cost	Based on audited accounts as at	Name of Chief Executive
			value per share	value per share			
			Rupees	Rupees	(Rupees '000)		
<b>Shareholding more than 10%</b>							
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	(162,421)	1,000	5,500	31-Mar-10	Maj Gen Sohail Shafkat
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	Gurojot Singh Khalsa
Cinepax Limited	14.6%	5,037,200	5	10	50,372	30-Jun-10	Arif Baigmohamed
Khushhali Bank Limited	11.7%	20,000,000	13	10	200,000	31-Dec-10	Ghalib Nishtar
<b>Shareholding upto 10%</b>							
First Women Bank Limited	8.9%	2,532,000	38	10	21,100	31-Dec-10	Ms Shafqat Sultana
National Institutional Facilitation Technologies (Pvt.) Limited	8.4%	914,093	60	10	1,527	30-Jun-11	M. M. Khan
National Investment Trust Limited	8.3%	79,200	14,404	100	100	30-Jun-11	Wazir Ali Khoja
JCR - VIS Credit Rating Company Limited	4.7%	32,500	(2)	10	325	30-Jun-11	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	3	0	50,703	31-Dec-10	Mr. Salman Akhtar & Kewan Khawaja (Co Chief Executive)
Equity Participation Fund	1.7%	27,000	665	100	2,700	31-Dec-08	Syed Shabahat Hussain (Executive Director)
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	Not available
SME Bank Limited	1.7%	3,975,003	9	10	26,950	31-Dec-10	Ihsan-ul-Haq Khan
SWIFT	0.0%	25	309,391	0	2,905	31-Dec-10	Lazaro Campos
MasterCard Incorporated	0.0%	461	3,575	0	0	31-Dec-10	Ajay Banga
The Benefit Company B.S.C ©	0.0%	80		23,857	1,909	-	Abdul Wahid Janahi
Tri Star Shipping Company	0.0%	15,000	-	-	250	-	N/A
					<u>445,724</u>		



**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**3) Particulars of bonds**

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
<b>(Rupees in '000)</b>				
<b>Available for sale securities</b>				
<b>Government of Pakistan Islamic Bonds</b>				
Government of Pakistan Ijarah Sukuk Bonds - III	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	2,350,600
Government of Pakistan Ijarah Sukuk Bonds - V	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	100,996
Government of Pakistan Ijarah Sukuk Bonds - VI	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	700,000
Government of Pakistan Ijarah Sukuk Bonds - VII	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	1,514,936
Government of Pakistan Ijarah Sukuk Bonds - IX	Maturity	Bi-annually	Cut off yield of 6M T-Bill plus 10 bps	3,000,000
				<b>7,666,532</b>
<b>Government of Pakistan - Eurobond</b>				
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	6,069,988
Pakistan Bond -2016	At Maturity	Bi-annually	7.125%	1,303,621
				<b>7,373,609</b>
<b>Foreign bonds</b>				
DEWA - AL IJARA FRN 2013	At Maturity	Semi Annually	6M EBOR + 125bps	7,346,700
Tamweel Sukuk FRN 2013	At Maturity	Quarterly	3M EBOR + 225bps	3,673,350
Bank of Bahrain & Kuwait Bond - 2015	At Maturity	Semi Annually	4.500%	180,164
IPIC GMTN Ltd - 2020	At Maturity	Semi Annually	5.000%	72,832
DUBAI GOVT.-2015 EMTN	At Maturity	Semi Annually	6.700%	1,283,119
State of Qatar 2030	At Maturity	Quarterly	9.750%	1,495,737
DEWA-2016	At Maturity	Semi Annually	6.375%	179,087
EMAAR- 2016	At Maturity	Semi Annually	8.500%	72,571
Qatar DIAR Finance QSC -2020	At Maturity	Quarterly	5.000%	225,770
Bank of America	At Maturity	Quarterly	0.964%	415,838
Peugot Finance	At Maturity	Quarterly	2.274%	107,636
Emirates Bank	At Maturity	Quarterly	0.840%	439,974
Societe Gen Par	At Maturity	Quarterly	1.441%	355,694
Morgan Stanley	At Maturity	Quarterly	0.691%	213,611
Morgan Stanley	At Maturity	Quarterly	0.691%	145,644
European Investment Bank	At Maturity	Quarterly	1.121%	272,728

**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**3) Particulars of bonds**

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount (Rupees in '000)
	Principal	Interest/Profit		
Bank of America	At Maturity	Quarterly	1.148%	408,830
Bank of America	At Maturity	Quarterly	1.201%	276,495
European Investment Bank	At Maturity	Quarterly	1.057%	137,825
Macquarie e Group	At Maturity	Annually	7.300%	353,213
State Bank	At Maturity	Annually	4.500%	260,539
Royal Bank of Scotland	At Maturity	Annually	4.875%	122,258
Royal Bank of Scotland	At Maturity	Annually	4.875%	141,748
				<b>18,181,364</b>
<b><u>Held to maturity securities</u></b>				
<b>Government of Pakistan Islamic Bonds</b>				
Government of Pakistan Sukuk Bond	At Maturity	Half Yearly	Cut off yield of 6M T-Bills plus 0 bps	300,000
				<b>300,000</b>
<b>Government of Pakistan - Guaranteed Bonds</b>				
Wapda Bonds - Sukuk II	At Maturity	Half Yearly	6M KIBOR minus 25bps	51,202
				<b>51,202</b>
<b>Sukuk</b>				
Security Leasing Corporation	Monthly	Monthly	Nil	30,990
B.R.R Guardian Modaraba	Monthly instalments starting from August 2011	Monthly	Deferred interest instalment @ 1 month KIBOR	98,438
K.S. Suleman Jee - Diminishing Musharika	Quarterly	Quarterly	Simple Avg. of 3 months KIBOR ask side + 140 bps	170,151
Sitara Energy Limited	Half Yearly	Half Yearly	Avg. rate of 6 Month KIBOR ask side plus 1.15%	63,409
Sitara Peroxide Limited	Quarterly	Quarterly	Avg rate of 3 Months KIBOR ask side plus 1.1%	281,250
Pakistan International Airlines Ltd	Half Yearly	Half Yearly	6 month KIBOR plus 1.75%	890,000
Islamic Sukuk Bonds - Central Bank of Bahrain	At maturity	BI Annually	3.750%	329,231
				<b>1,863,468</b>
<b>Foreign securities</b>				
JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Bi-annually	10.500%	195,101
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	N/A	N/A	289,214
Sri Lanka Euro Bonds	At Maturity	Bi-annually	8.250%	1,799,876
Allied Irish Du	At Maturity	Quarterly	1.096%	276,087
Alpha Credit	At Maturity	Quarterly	1.856%	116,451
Bank of Ireton	At Maturity	Quarterly	1.058%	55,305
Bank of Ireton	At Maturity	Quarterly	1.049%	81,938
Cam Spain	At Maturity	Quarterly	1.147%	275,956

**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**3) Particulars of bonds**

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
				(Rupees in '000)
Emirates Bank	At Maturity	Quarterly	4.928%	181,458
Emirates Bank	At Maturity	Quarterly	0.698%	89,630
Emirates Bank	At Maturity	Quarterly	0.840%	178,123
Bank of America	At Maturity	Quarterly	1.148%	411,110
Bank of America	At Maturity	Quarterly	1.201%	138,353
Satander	At Maturity	Quarterly	1.148%	138,289
Marks and Spencer	At Maturity	Annually	5.875%	136,661
National Bank AD	At Maturity	Bi-annually	5.875%	292,088
National Bank AD	At Maturity	Bi-annually	5.875%	291,903
First Gulf Bank	At Maturity	Bi-annually	4.000%	90,753
Finance Danish	At Maturity	Annually	6.000%	179,854
Finance Danish	At Maturity	Annually	6.000%	112,620
Credit Suisse	At Maturity	Annually	4.000%	9,560
Zurich Insurance	At Maturity	Annually	4.250%	97,350
State Bank of India	At Maturity	Annually	3.375%	192,066
Notes Sunrise Communications	At Maturity	Annually	7.000%	101,344
				<b>5,731,092</b>

**Government of Pakistan - Eurobonds**

Government of Pakistan	At Maturity	Annually	6.875%	1,519,543
Government of Pakistan	At Maturity	Annually	7.125%	467,287
				<b>1,986,830</b>

**4) Particulars of Debentures**

Investee	Terms of Redemption		Rate of Interest	Outstanding Amount
	Principal	Interest		
				(Rupees in '000)
<b>Public Sector</b>				
SDA - Cold Storage Haripur	Overdue	Overdue	12.50%	1,300
SDA - Cold Storage Haripur	Overdue	Overdue	12.00%	825
<b>Private Sector</b>				
Effef Industries Limited	Overdue	Overdue	11.00%	1,017
Effef Industries Limited	Overdue	Overdue	14.00%	379
Khyber Textile Mills Ltd	Overdue	Overdue	14.00%	395
Morgah Valey Ltd	Overdue	Overdue	11.00%	316
Morgah Valey Ltd	Overdue	Overdue	14.00%	160
				<b>4,392</b>

**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**5) Particulars of investments in term finance certificates**

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	(Rupees in '000)		
<b>Listed - Held for trading</b>					
Worldcall Telecom Ltd-Tfc	4,855	5,000	24,275	13,273	-
Engro Fertilizer Ltd-Tfc	10,000	5,000	50,000	44,250	-
Pakistan Mobile Communication Ltd-Tfc	10,000	5,000	50,000	43,651	-
Maple Leaf Sukuk	9,108	5,000	45,540	28,504	-
				<b>129,678</b>	
<b>Unlisted - available for sale</b>					
Pakistan International Airlines TFC II	1,700	5,000	8,500	7,077	Capt. Nadeem Khan Yousufzai
Engro Corporation Limited	140,000	5,000	700,000	701,232	Asad Umar
				<b>708,309</b>	
<b>Listed - available for sale</b>					
Allied Bank Limited TFC-II	53,000	5,000	265,000	270,901	Khalid A. Sherwani
Azgard Nine Limited	60,000	5,000	300,000	224,694	Ahmed H. Shaikh
Bank Al Falah Limited TFC II	3,000	5,000	15,000	10,006	Sirajuddin Aziz
Bank Al Falah Limited TFC III	26,200	5,000	131,000	132,373	Sirajuddin Aziz
Bank Al Habib Limited TFC II	44,766	5,000	223,830	227,465	Abbas D. Habib
Bank Al Habib Limited TFC III	46,000	5,000	230,000	229,540	Abbas D. Habib
Engro Corporation Limited TFC III	22,562	5,000	112,810	113,075	Asad Umar
Faysal Bank Limited TFC II	46,000	5,000	230,000	229,908	Naved A. Khan
Allied Bank Ltd-Tfc	1	5,000	5	5	Mohammad Aftab Manzoor
				<b>1,437,967</b>	
<b>Unlisted - held to maturity</b>					
Pakistan International Airlines Corporation	410,567	5,000	2,052,835	2,043,110	Capt. Nadeem Khan Yousufzai
Orix Leasing Pakistan Limited	2,000	100,000	200,000	100,000	Teizoon Kijat
Orix Leasing Pakistan Limited	1,500	100,000	150,000	150,000	Teizoon Kijat
Al Abbas Sugar Mills Limited	12,000	5,000	60,000	24,000	Shunaid Qureshi
Dewan Farooq Spinning Mills Limited	30,000	5,000	150,000	37,472	Dewan Abdul Baqi Farooqui
Security Leasing Corporation Limited	40,000	5,000	200,000	43,750	Mohammad Khalid Ali
Faysal Bank Limited	70,000	5,000	350,000	119,952	Naved A. Khan
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Muhammad Umer Baig
Bachani Sugar Mills Limited	-	-	-	25,500	Noorul Amin Bachani
Bentonite (Pakistan) Limited	14	268,894	3,765	3,417	Khalid Shakil
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Muhammad Arif
Cast-N-Link Products Limited	16	1,064,039	17,025	2,549	Nisar Ahmed
Frontier Ceramics Limited	46	370,100	17,025	1,307	Omer Khalid
Regency Textile Limited	40	287,715	11,509	6,165	M. Iqtidar Pervaiz
Tanocrafts Limited	22	156,241	3,437	537	Ashfaq Hussain
Tharparkar Sugar Mills	1	8,770,219	8,770	16,678	Mr Imtiaz Ali Shah
				<b>2,583,247</b>	
<b>Listed - held to maturity</b>					
Allied Bank Limited TFC II	136,360	5,000	681,800	646,093	Khalid A. Sherwani
Askari Commercial Bank Limited	43,412	5,000	217,059	217,059	Mohammad Rafiquddin Mehkari
Askari Commercial Bank Limited	40,000	5,000	200,000	199,520	Mohammad Rafiquddin Mehkari
Bank Al Habib Limited	250	100,000	25,000	16,623	Abbas D. Habib
Faysal Bank Limited (Formerly Royal Bank of Scotland)	22,000	5,000	110,000	54,890	Naved A. Khan
Soneri Bank Limited	999	5,000	4,995	3,737	Atif A. Bajwa
Pak Arab Fertilizer (Private) Limited	30,000	5,000	150,000	111,000	Fawad Ahmad Mukhtar
				<b>1,248,922</b>	

**6) Particulars of participation term certificates**

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
			(Rupees)	(Rupees in '000)	
Brother Steel Industries Limited	17	362,000	6,154,000	2,144	Mian Yousuf Aziz
Crystal Chemicals Limited	14	145,933	2,043,067	3,897	Maqsood A. Shaikh
Morgah Valey Limited	16	29,250	468,000	436	Air Marshal A. Rahim Khan
Pangrio Sugar Mills Limited	44	472,091	20,772,000	1,825	Aftab Ahmed
Zamrock Fibers Glass Limited	12	32,833	394,000	2,358	-
				<b>10,661</b>	



## Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements

## 7) Quality of investments classified as available for sale (AFS)

Investee	Market Value	Credit Rating
<b>Investment in ordinary shares</b>		
Adamjee Insurance Company Limited	78,555	AA
D.G. Khan Cement Limited	72,074	Not available
Engro Corporation Limited	332,017	AA
Engro Foods Limited	24,702	Not available
Engro Polymer & Chemicals Limited	28,723	Not available
Fatima Fertilizer Company Limited	161,522	A+
Fauji Cement Company Limited	330,387	Not available
Fauji Fertilizer Company Limited	494,415	Not available
Hub Power Company Limited	506,586	AA+
IGI Investment Bank Limited	8,988	A
International Steels Limited	32,792	Not available
KASB Securities Limited	3,180	A-
Kot Addu Power Company Limited.	139,541	AA+
Lotte Pakistan PTA Limited	37,080	Not available
National Bank of Pakistan	277,465	AAA
Nishat Power Limited	79,790	AA
Pak Oilfields Limited	291,087	Not available
Pakistan Petroleum Limited	297,248	Not available
Pakistan State Oil Company Limited	293,788	AA+
Pakistan Telecommunication Company Limited	54,521	Not available
Shell Pakistan Limited	20,298	Not available
DP World	16,197	Not available
	<b>3,580,955</b>	
<b>Investments in preference shares</b>		
Chenab Limited	13,412	Not available
Masood Textile Mills Limited	110,000	Not available
JSC Alliance Bank	288,921	Not available
	<b>412,333</b>	
<b>Investments in units of mutual funds</b>		
ABL Cash Fund	1,275,191	AA+(f)
ABL Income Fund	488,698	A+(f)
ABL Government Securities Fund	200,572	A+(f)
Meezan Islamic Income Funds	112,085	A(f)
	<b>2,076,546</b>	
<b>Investments in Term Finance Certificate</b>		
Allied Bank Ltd-TFC	5	AA-

**Annexure 'A' as referred to in note 9.8 of Group's consolidated financial statements**
**7) Quality of investments classified as available for sale (AFS)**

Investee	Cost	Credit Rating
(Rupees in '000)		
<b>Investment in unlisted shares</b>		
<b>Shareholding more than 10%</b>		
Khushhali Bank Limited	200,000	A
PASSCO	5,500	Not available
Cinepax Limited	50,372	Not available
World Bridge Connect Inc.	77,606	Not available
<b>Shareholding upto 10%</b>		
Equity Participation Fund	2,700	Not available
First Women Bank Limited	21,100	BBB+
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	Not available
SME Bank Limited	26,950	BBB
Kay Textile Mills Limited	3,778	Not available
Techlogix International Limited	50,703	Not available
SWIFT	2,905	Not available
National Investment Trust Limited	100	AM2-
JCR - VIS Credit Rating Company Limited	325	BBB+
MasterCard Incorporated	0	Not available
The Benefit Company B.S.C ©	1,909	Not available
	<b>445,474</b>	

Particulars	Market Value	Credit Rating
(Rupees in '000)		
<b>Federal Government Securities</b>		
Market Treasury Bills	128,421,768	Unrated - Govt Securities
Pakistan Investment Bonds	28,026,968	Unrated - Govt Securities
	<b>156,448,736</b>	
<b>Government of Pakistan Islamic Bonds</b>		
Government of Pakistan Ijarah Sukuk	7,686,712	B- (S&P)
	<b>7,686,712</b>	
<b>Government of Pakistan - Euro bond</b>		
Islamic Republic of Pakistan - 2016 - Euro Bond	1,114,579	B- (S&P)
Islamic Republic of Pakistan - 2017 - Euro Bond	5,013,889	B- (S&P)
	<b>6,128,468</b>	
<b>Foreign bonds</b>		
DEWA Sukuk - 2013	7,216,296	Ba1 (Moody's)
State of Qatar-2030 -USD Bonds	1,503,043	AA
Dubai Govt EMTN-2015 USD	1,323,705	Un-rated
Qatar DIAR Finance QSC-2020	240,775	AA
DEWA - 2016	184,466	Ba1 (Moody's)
IPIC GMTN Limited -2020	74,163	Aa3 (Moody's)
TAMWEEL Sukuk 2013 FRN	3,363,429	Baa3 (Moody's)
EMAAR Sukuk-2016	83,745	B1 (Moody's)
Bank of Bahrain and Kuwait 2015	170,339	Baa2 (Moody's)
	<b>14,159,961</b>	

Investee	Market Value	Credit Rating
(Rupees in '000)		
<b>Term finance certificates</b>		
<b>Listed</b>		
Allied Bank Limited TFC-II	265,063	AA-
Azgard Nine Limited	224,694	D
Bank Al Falah Limited TFC II	130,241	AA-
Bank Al Falah Limited TFC III	9,974	AA-
Bank Al Habib Limited TFC II	229,671	AA
Bank Al Habib Limited TFC III	246,155	AA
Engro Corporation Limited	110,437	AA
Faysal Bank Limited	237,769	AA-
	<b>1,454,006</b>	
<b>Unlisted</b>		
Pakistan International Airlines TFC II	7,078	Not available
Engro Corporation Limited TFC III	700,000	AA
	<b>707,078</b>	



Consolidated Annexure – B is same as in Unconsolidated Financial Statements.

## Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

**Disposals of operating fixed assets during the year 2011**

	Cost	Accumulated depreciation <small>(Rupees in '000)</small>	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
<b>Furniture and fixtures</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	41,946	36,614	5,332	3,283	Auction	Various
<b>Electrical, office and computer equipment</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	85,815	83,364	2,451	6,316	Auction	Various
<b>Vehicles</b>						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000						
Commander Overland	3,524	3,377	147	1,100	Auction	4x4 Motors
C/Caprice	1,970	1,950	20	679	Auction	Al Futaim
S/Vitara	1,699	1,699	-	464	Auction	Ibrahim Hakimi
N/Sunny	1,062	1,062	-	298	Auction	Tariq Mahmood
S/Cultus	652	362	290	430	Auction	Nasir Khan
H/accord	6,206	279	5,927	6,206	Buy back	Rayomond Kotwal
T/Camry	2,899	1,478	1,421	1,957	Buy back	Hassan Raza
T/Camry	2,781	2,781	-	556	Buy back	Mir Muhammad Ali
T/Camry	2,750	2,228	522	1,073	Buy back	Muhammad Ejazuddin
T/Camry	2,750	1,733	1,017	1,568	Buy back	Bahauddin Khan
H/accord	2,410	2,169	241	482	Buy back	Ali Sameer
H/accord	2,410	2,169	241	482	Buy back	Aameer Karachiwalla
H/Civic	1,881	508	1,373	1,750	Buy back	Najeeb Agrawalla
H/Civic	1,526	778	748	1,030	Buy back	Syed Javed
T/Corolla	1,389	417	972	1,242	Insurance Claimed	UBL Insurers
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
					Toyota Camry	
T/Hilux	972	875	97	803	Auction	Abdul Rehman
T/Corolla	969	872	97	897	Auction	Juma Khan
T/Corolla	969	872	97	960	Auction	Zahid Qadri
T/Corolla	969	872	97	971	Auction	Adam Khan
T/Corolla	969	872	97	960	Auction	Zahid Qadri
T/Corolla	879	791	88	808	Auction	Riza Ahmed
T/Corolla	879	791	88	905	Auction	M. Azam
T/Corolla	879	791	88	801	Auction	Ansar Iqbal
T/Corolla	879	791	88	832	Auction	Bilal Khan
T/Hilux	859	773	86	538	Auction	Naveed Rauf
T/Corolla	849	764	85	880	Auction	Zahid Qadri
T/Corolla	849	764	85	812	Auction	Kaleem
T/Hilux	834	751	83	777	Auction	Muhammad Yameen
S/Cultus	620	539	81	552	Auction	Nouman Ahmed Siddiqi
S/Cultus	620	539	81	537	Auction	Bilal Khan
S/Cultus	620	558	62	519	Auction	Bilal Khan
S/Cultus	620	558	62	581	Auction	Khukdullah Qureshi
S/Cultus	620	558	62	551	Auction	Khukdullah Qureshi
S/Pothohar	618	556	62	362	Auction	Ghazanfar Ali
T/Corolla	600	540	60	507	Auction	Farrukh Zindani
S/Mehran	567	567	-	439	Auction	Bilal Khan
S/Cultus	560	412	148	392	Auction	Fazal Karim
S/Cultus	560	445	115	507	Auction	Farrukh Zindani
S/Cultus	560	448	112	439	Auction	Mian Muhammad Raza
S/Cultus	560	487	73	497	Auction	Nouman Ahmed Siddiqi
S/Cultus	560	504	56	486	Auction	Zahid Qadri
S/Cultus	560	504	56	524	Auction	Suzuki South
S/Cultus	560	504	56	573	Auction	Nouman Ahmed Siddiqi
S/Cultus	555	500	55	370	Auction	Atif Ikram
S/Cultus	555	500	55	540	Auction	Suzuki South
S/Cultus	555	500	55	425	Auction	Khair Muhammad
S/Cultus	555	500	55	437	Auction	Farrukh Zindani
S/Cultus	555	500	55	467	Auction	Zahid Qadri
S/Cultus	555	500	55	437	Auction	Farrukh Zindani
S/Cultus	555	500	55	460	Auction	Zahid Qadri



## Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

**Disposals of operating fixed assets during the year 2011**

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
S/Cultus	555	500	55	495	Auction	Zahid Qadri
S/Bolan	367	330	37	362	Auction	Suzuki South
S/Bolan	367	330	37	362	Auction	Adam Khan
S/Bolan	367	330	37	404	Auction	Nouman Ahmed Siddiqi
S/Mehran	350	315	35	204	Auction	Mohammad Amjad
S/Mehran	339	305	34	171	Auction	Muhammad Ayub
S/Cultus	308	221	87	444	Auction	Farrukh Zindani
S/Bolan	235	212	23	157	Auction	Farrukh Zindani
S/Cultus	620	530	90	215	Buy back	Habibullah Solangi
S/Cultus	560	445	115	218	Buy back	Muhammad Inayat ur Rehman
S/Cultus	560	504	56	168	Buy back	M. Shahid Farooq
S/Cultus	560	504	56	168	Buy back	Syed Mohsin Zaheer
S/Cultus	560	504	56	383	Buy back	Anis Ur Rehman
S/Mehran	360	308	52	204	Buy back	Feroz Akhtar
S/Mehran	355	319	36	183	Buy back	Abdul Majeed Edhi
S/Jeep	678	610	68	300	Insurance Claimed	UBL Insurers
S/Cultus	560	370	190	450	Insurance Claimed	UBL Insurers
S/Cultus	560	355	205	-	Write-off	
S/Cultus	555	500	55	-	Write-off	
S/Cultus	555	383	172	-	Write-off	
S/Alto	120	120	-	-	Write-off	
Various	611	558	53	936	Auction	Various
	70,456	53,341	17,115	46,687		

**Ijara Assets**

Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000

Commercial Ijarah - Ihsan Sons	80,000	76,000	4,000	4,000	Buy back	Ihsan Sons
Commercial Ijarah - Premier Dairies	30,500	27,450	3,050	3,050	Buy back	Premier Dairies
Commercial Ijarah - Atlas Honda	2,003	688	1,315	1,660	Buy back	Atlas Honda
T/Premio	1,771	1,016	755	778	Buy back	Asad Ali Khan
H/Civic	1,614	1,301	313	313	Buy back	Faisal Maalik
T/Corolla	1,431	815	616	616	Buy back	Ather Ali
T/Corolla	1,377	1,178	199	199	Buy back	Muhammad Asif Sheikh
T/Premio	1,338	718	620	676	Buy back	Mohammad Arif Khan
T/Corolla	1,328	148	1,180	1,211	Buy back	Amna Ahsan Siddiqui
T/Corolla	1,327	755	572	572	Buy back	Ikram Shahid Zahidi
T/Corolla	1,204	434	770	770	Buy back	Amynah Tariq Sheikh
T/Corolla	1,200	969	231	231	Buy back	Khalid Hussain Awan
T/Corolla	1,142	971	171	171	Buy back	Shiraz Ahmed
T/Corolla	1,122	582	540	540	Buy back	Anwar Ali
H/City	1,097	205	892	903	Buy back	Muhammad Ali
T/Corolla	1,073	1,073	-	55	Buy back	Mohammad Saleem Malik
H/City	1,058	899	159	159	Buy back	Syed Imtiaz Ali
T/Corolla	1,054	445	609	608	Buy back	Altaf Ahmed Paracha
T/Corolla	1,053	948	105	126	Buy back	Muhammad Farooq
T/Corolla	1,050	899	151	151	Buy back	Shahzad
T/Corolla	1,038	883	155	156	Buy back	Irfana Aslam
T/Corolla	1,036	881	155	184	Buy back	Liaquat Khan
T/Corolla	1,036	391	645	699	Buy back	Muhammad Iqbal Khan
H/City	1,034	833	201	201	Buy back	Muhammad Saleem
T/Corolla	1,033	711	322	302	Buy back	M. Salman Farooq
M/Lancer	1,031	781	250	250	Buy back	M Saleem
H/Civic	1,022	384	638	718	Buy back	Agha Ghulam Nabi
H/Civic	1,011	389	622	689	Buy back	Abdul Moeen Muddasir
T/Corolla	1,002	852	150	150	Buy back	Jannat Ali Khoja
T/Corolla	979	409	570	570	Buy back	Syed Sammad-UI-Haque
T/Corolla	949	420	529	595	Buy back	Mohammad Amin
T/Corolla	948	538	410	429	Buy back	Rizwan Naeem
T/Corolla	947	355	592	659	Buy back	Amjad Ali
H/City	920	481	439	439	Buy back	Shafaat Hussain Khan
H/City	912	280	632	675	Buy back	Shakeel Ahmed Khan
H/City	907	556	351	351	Buy back	Samir S Amir
H/City	901	472	429	429	Buy back	Muhammad Ayaz
H/City	885	415	470	479	Buy back	Saeed Ahmed
T/Corolla	882	297	585	614	Buy back	Shahzad
S/Liana	872	459	413	413	Buy back	Muhammad Anwar Gopalani
S/Cultus	862	318	544	591	Buy back	Abdul Muneem
H/City	829	323	506	561	Buy back	Sara Kaleem

## Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

**Disposals of operating fixed assets during the year 2011**

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
S/Cultus	802	344	458	499	Buy back	Rashid Hussain Khan Lodhi
T/Corolla	799	213	586	649	Buy back	Shahzad
Shehzore	732	271	461	480	Buy back	Muhammad Qasim
S/Cultus	727	415	312	312	Buy back	Zafar Hussain Malvi
Shehzore	721	381	340	372	Buy back	Zarwali Khan
S/Cultus	719	375	344	368	Buy back	Tabinda Mahmood
S/Alto	718	414	304	304	Buy back	Muhammad Naveed
Shehzore	717	338	379	444	Buy back	Shahid Nawaz
Shehzore	711	385	326	358	Buy back	Ahmed Raza Khan
Shehzore	708	222	486	506	Buy back	Masood Hussain
S/Cultus	675	251	424	424	Buy back	Shanaz Siddiqui
S/Cultus	664	348	316	316	Buy back	Abdul Samad Sheikh
S/Cultus	663	404	259	259	Buy back	Shiekh Iqbal Ahmed
S/Cultus	659	302	357	397	Buy back	Noman
S/Cultus	650	165	485	506	Buy back	Abdullah Saifuddin
S/Cultus	642	366	276	299	Buy back	Waqas Riaz
D/Cuore	622	369	253	279	Buy back	Safiullah Khan
S/Alto	621	327	294	361	Buy back	Muhammad Mustaqeem
T/Corolla	609	272	337	379	Buy back	Sadiq Hussain Shah
S/Alto	598	282	316	240	Buy back	Yahia Khan
S/Alto	594	289	305	320	Buy back	Muhammad Javed
S/Bolan	591	246	345	400	Buy back	Danish Zaheer
S/Alto	561	297	264	265	Buy back	Fida Hussain Lakhro
S/Alto	549	236	313	360	Buy back	Amir Hussain
S/Alto	546	296	250	310	Buy back	Mohammad Hussain
S/Alto	545	280	265	257	Buy back	Noor Ahmed Qureshi
S/Alto	545	288	257	257	Buy back	Huzafa Osaid Khan
D/Cuore	539	270	269	275	Buy back	Sultan Mehmood
D/Cuore	529	275	254	254	Buy back	Muhammad Ilyas Baig
S/Mehran	488	233	255	300	Buy back	Mudasir Hussain
D/Cuore	475	208	267	336	Buy back	Muhammad Iqbal Mansoori
S/Bolan	460	157	303	322	Buy back	Abdul Wajid Mudi Urf Faisal
S/Bolan	492	200	292	376	Auction	Muhammad Imran Gul
S/Mehran	481	213	268	350	Auction	Sikander Ali
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
H/City	907	775	132	132	Buy back	Muhammad Asif Aziz
H/City	886	789	97	75	Buy back	Abdul Shakur
S/Liana	864	699	165	165	Buy back	Mohammad Javed
S/Cultus	862	777	85	94	Buy back	Turhan Baigh Muhammad
S/Cultus	851	851	-	-	Buy back	Sandra Sequeira
T/Corolla	833	666	167	202	Buy back	Janan Khan
S/Cultus	748	636	112	112	Buy back	Syed Ata-Ur-Rehman Naqvi
Shehzore	740	601	139	140	Buy back	Mohammad Taj Uddin
Shehzore	740	600	140	140	Buy back	Afshan Naz
T/Corolla	732	659	73	133	Buy back	Amjad Ali
S/Cultus	727	727	-	88	Buy back	Muhammad Khalid
Shehzore	725	574	151	170	Buy back	Rashid Hussain
S/Alto	716	581	135	135	Buy back	Asad Ullah Farooqi
S/Cultus	715	547	168	179	Buy back	Sadruddin Dadwani
S/Cultus	708	637	71	157	Buy back	Mian Mujeeb Ur Rehman
S/Cultus	702	596	106	105	Buy back	Peerzada Mehmood Ul Hassa
S/Cultus	697	593	104	105	Buy back	Parveen
S/Cultus	666	540	126	126	Buy back	Zulfiqar Ali Anees
S/Cultus	665	570	95	95	Buy back	Umair Ahmed
S/Cultus	664	537	127	126	Buy back	Barbari Arjun
S/Cultus	664	569	95	95	Buy back	Shahid Hussain Nayani
S/Cultus	656	561	95	116	Buy back	Mohammad Rizwan Abid
Santro Club	633	506	127	133	Buy back	Ashfaqe Ahmed
S/Cultus	624	394	230	292	Buy back	Jahangir Hussain
S/Alto	616	524	92	92	Buy back	Ramesh Kumar
S/Cultus	612	520	92	177	Buy back	Muhammad Ashraf
C/Joy	593	365	228	228	Buy back	Arif Hussain Durrani
S/Alto	593	425	168	168	Buy back	Pervaiz Shakil
C/Joy	591	421	170	170	Buy back	Khalid Hassan
H/City	584	411	173	173	Buy back	Tarana Zafar
S/Alto	575	439	136	136	Buy back	Ameer Sajjad Naizi
S/Mehran	561	482	79	79	Buy back	Syed Adnan Akhter
S/Alto	561	481	80	79	Buy back	Nazeer Ahmed

## Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

Disposals of operating fixed assets during the year 2011

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
S/Alto	558	479	79	79	Buy back	Imran Butt
H/City	556	457	99	160	Buy back	Abdul Razzak
S/Alto	555	477	78	78	Buy back	Asad Ullah Farooqi
S/Alto	554	369	185	185	Buy back	Muhammad Naveed
D/Cuore	554	440	114	114	Buy back	Saad Saleem
S/Alto	553	474	79	78	Buy back	Rafat Shahnaz Saad
S/Alto	545	388	157	156	Buy back	Muhammad Taufique
S/Alto	545	442	103	103	Buy back	Mohammad Shafiq
S/Alto	545	468	77	77	Buy back	Muhammad Kaleem
D/Cuore	543	414	129	148	Buy back	Nadeem Khan
S/Alto	542	334	208	208	Buy back	Huzaifa Moiz Ali
S/Alto	536	429	107	157	Buy back	Wasi Ahmed
S/Alto	536	429	107	154	Buy back	Atique Ur Rehman
S/Bolan	533	431	102	150	Buy back	Ghulam Habib Afridi
S/Alto	532	311	221	236	Buy back	Muhammad Naveed Jamil
D/Cuore	530	332	198	199	Buy back	Shakir Zafar
D/Cuore	528	429	99	99	Buy back	Javed Iqbal
S/Cultus	526	426	100	100	Buy back	Khawaja Muhammad Ahmed
S/Bolan	525	450	75	75	Buy back	Syed Muhammad Sohail Shal
S/Mehran	524	446	78	79	Buy back	Manoj Kumar
D/Cuore	520	421	99	99	Buy back	Mool Chand
S/Alto	517	372	145	145	Buy back	Kamran
S/Bolan	517	440	77	78	Buy back	Muhammad Rizwan Qureshi
S/Bolan	515	313	202	236	Buy back	Abdul Rasheed Gohar
S/Bolan	514	274	240	253	Buy back	Syed Zahid Ali Hashmi
D/Cuore	510	292	218	234	Buy back	Faraz Ahmed Sharif
S/Cultus	506	404	102	108	Buy back	Shazia Ashraf
S/Cultus	506	455	51	94	Buy back	Abdul Wahab
S/Cultus	505	455	50	76	Buy back	Nasir Jamal Siddiqui
Shehzore	503	503	-	33	Buy back	Nisar Akber
S/Alto	502	426	76	75	Buy back	Sohail Qureshi
S/Bolan	499	428	71	70	Buy back	Khalid Mateen
D/Cuore	498	367	131	130	Buy back	Ahsan Fayyaz
S/Alto	496	259	237	237	Buy back	Fazila Ejaz
S/Bolan	492	291	201	206	Buy back	Muhammad Maroof Khan Tar
D/Cuore	483	411	72	72	Buy back	Abdul Ghani
S/Bolan	481	343	138	137	Buy back	Saleem Uddin
S/Bolan	466	244	222	222	Buy back	Nadeem Hassan
S/Bolan	466	400	66	67	Buy back	Mohammad Rahim
S/Mehran	460	246	214	215	Buy back	Muhammad Tariq Ali
T/Corolla	458	389	69	69	Buy back	Salman Farooqi
S/Bolan	457	365	92	97	Buy back	Mohammad Shafi Azad
S/Mehran	455	337	118	93	Buy back	Ashiq Ali Narejo
S/Bolan	453	327	126	125	Buy back	Imran Khan
S/Alto	450	382	68	67	Buy back	Muhammad Akbar
S/Alto	443	254	189	259	Buy back	Muhammad Hafeez
S/Alto	443	354	89	168	Buy back	Iqbal Sumel
S/Alto	443	376	67	66	Buy back	Syed Imran
S/Alto	443	376	67	122	Buy back	Hassan Mukhtar
S/Alto	443	443	-	14	Buy back	Ilyas Farooq
S/Cultus	442	354	88	178	Buy back	Nadeem Uddin Khan
H/City	441	353	88	108	Buy back	Muhammad Yousuf
S/Bolan	440	271	169	180	Buy back	Aurangaib Ahmed Memon
S/Bolan	440	377	63	63	Buy back	Muhammad Mohsin
S/Bolan	439	335	104	104	Buy back	Abdul Rehman Khan
S/Mehran	434	232	202	202	Buy back	Syeda Farkhunda Rizwan
S/Mehran	433	368	65	65	Buy back	Asif Saeed
S/Bolan	432	235	197	236	Buy back	M Rafiq Kasmani
S/Ravi	432	367	65	65	Buy back	Nadeem Akhter Siddiqui
S/Ravi	430	223	207	257	Buy back	Nadir Hussain
S/Mehran	430	221	209	219	Buy back	Ata Khan
S/Mehran	430	226	204	204	Buy back	Munawar Ali Dahri
S/Ravi	430	272	158	159	Buy back	Mohammad Ashraf
D/Cuore	422	359	63	63	Buy back	Abbas Ali
T/Corolla	418	355	63	63	Buy back	Muhammad Farooq
S/Mehran	415	209	206	222	Buy back	Khurram Abbas
S/Mehran	409	278	131	132	Buy back	Abdul Ghaffar
S/Ravi	405	303	102	113	Buy back	Muhammad Ishaq
S/Ravi	405	312	93	99	Buy back	Muhammad Shakil Hussain
S/Ravi	404	340	64	94	Buy back	Salman Abdul Aziz
S/Alto	403	342	61	60	Buy back	Muhammad Harif
S/Ravi	402	322	80	140	Buy back	Shahzada Wakeel Ahmed

## Annexure 'C' As Referred to in Note 11.7 of Consolidated Financial Statements

Disposals of operating fixed assets during the year 2011

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
S/Mehran	396	341	55	55	Buy back	Tariq Hassan Khna
S/Ravi	395	151	244	259	Buy back	Arshad Ali
S/Ravi	390	175	215	253	Buy back	Abdul Raheem
D/Cuore	388	298	90	90	Buy back	Najam Uddin Farooqi
S/Bolan	386	309	77	140	Buy back	Shiv Lal
S/Mehran	383	281	102	100	Buy back	Shuhail Ahmed Memon
S/Bolan	383	326	57	57	Buy back	Imtiaz Jahan
S/Ravi	382	305	77	129	Buy back	Husnain Haider
S/Ravi	381	324	57	57	Buy back	Fawad Khan
S/Ravi	380	293	87	87	Buy back	Shaukat Ali
S/Bolan	380	304	76	112	Buy back	Mohammad Nafees
S/Ravi	379	275	104	104	Buy back	Khurram Shehzad
S/Alto	378	309	69	69	Buy back	Muhammad Hanif
S/Cultus	377	308	69	69	Buy back	Shakeel Ahmed
S/Ravi	375	193	182	217	Buy back	Muhammad Jumma
S/Ravi	370	174	196	217	Buy back	Muhammad Aslam Attari
S/Ravi	368	313	55	55	Buy back	Maryam
S/Alto	366	311	55	55	Buy back	Jamil Ahmed
S/Mehran	359	305	54	54	Buy back	Haroon Yusuf
S/Mehran	359	305	54	54	Buy back	Haroon Yusuf
S/Mehran	355	178	177	221	Buy back	Syed Nayyar Azam Saifi
S/Cultus	352	299	53	53	Buy back	Syed Mansoor Mehmood
S/Mehran	347	278	69	147	Buy back	Shahadat Hussain
S/Mehran	345	293	52	52	Buy back	Muhammad Zubair Ahmed
S/Bolan	344	292	52	52	Buy back	Babar Ali Humza
S/Bolan	344	292	52	52	Buy back	Ghulam Muhammad
S/Bolan	340	289	51	50	Buy back	Mustafa Dalwala
S/Mehran	336	269	67	144	Buy back	Mirza Kashif Iqbal
D/Cuore	330	280	50	49	Buy back	Tauqeer Ahmed
D/Cuore	329	280	49	49	Buy back	Syed Tahir Ali
S/Bolan	326	261	65	147	Buy back	Mohammad Aamir
S/Ravi	321	257	64	114	Buy back	Javid Anwar
S/Ravi	321	273	48	48	Buy back	Aurangzeb Khan
S/Ravi	320	272	48	48	Buy back	Dawood Jan Mirza
S/Mehran	317	270	47	48	Buy back	Aisha Qutb
S/Mehran	311	250	61	100	Buy back	Muhammad Umair Farooqui
S/Mehran	310	136	174	225	Buy back	Muhammad Sharif
S/Alto	305	259	46	46	Buy back	Abdul Rasheed
S/Bolan	304	258	46	46	Buy back	Arshad Jamal
S/Ravi	298	227	71	119	Buy back	Faisal Ali
S/Ravi	298	253	45	45	Buy back	Muhammad Azam
S/Mehran	286	199	87	75	Buy back	Muhammad Talha Mustafa
S/Mehran	281	239	42	42	Buy back	Zafar Iqbal
S/Ravi	279	223	56	102	Buy back	Hameed
S/Alto	265	212	53	78	Buy back	Yahia Khan
S/Bolan	256	218	38	38	Buy back	Fazal Shamim
S/Bolan	252	214	38	38	Buy back	Syed Arshad Qadri
S/Bolan	229	195	34	34	Buy back	Roni
S/Mehran	208	166	42	6	Buy back	Syed Irfan Ali
S/Ravi	202	172	30	30	Buy back	Noman Saeed
	250,227	196,837	53,390	57,553		
Total	448,444	370,156	78,288	113,839		

**Annexure 'D' of the Consolidated Financial Statements****Guidelines for mapping of Business Lines****Segment Reporting**

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

**Business segments****(a) Corporate finance**

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

**(b) Trading and sales**

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

**(c) Retail Banking**

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

**(d) Commercial banking**

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

**(e) Asset management**

Asset management includes discretionary and non-discretionary fund management activities in the form of pooled, segregated, retail, institutional, private equity, open, close ended funds etc.

**(f) Others**

Others includes functions of the Group and subsidiaries which cannot be classified in any of the above segments.