

United Bank Limited
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

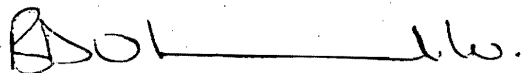
ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

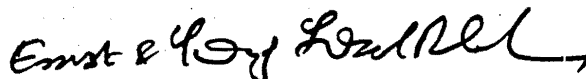
We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of United Bank Limited (the Bank) as at December 31, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of United Bank Limited. The financial statements of the subsidiaries 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 subsidiaries United National Bank Limited and United Bank AG (Zurich) 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 consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS

Audit Engagement Partner
Zulfikar Ali Causer

Audit Engagement Partner
Shabbir Yunus

Date: 24 FEB 2013

Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	Note	2012 ----- (Rupees in '000) -----	2011
ASSETS			
Cash and balances with treasury banks	6	94,766,489	86,309,061
Balances with other banks	7	22,843,080	16,579,821
Lendings to financial institutions	8	21,953,458	12,375,261
Investments	9	381,245,903	301,106,877
Advances			
Performing	10	371,001,659	329,969,594
Non-performing - net of provision	10	14,832,602	11,169,925
		385,834,261	341,139,519
Operating fixed assets	11	27,460,839	25,745,215
Deferred tax asset - net	12	-	1,991,667
Other assets	13	26,106,385	21,957,367
		960,210,415	807,204,788
LIABILITIES			
Bills payable	15	7,600,633	5,879,043
Borrowings	16	67,215,209	49,955,704
Deposits and other accounts	17	755,264,264	634,796,624
Subordinated loans	18	9,319,264	11,317,080
Liabilities against assets subject to finance lease	19	2,109	-
Deferred tax liability - net	12	278,546	-
Other liabilities	20	19,676,006	19,335,691
		859,356,031	721,284,142
NET ASSETS		<u>100,854,384</u>	<u>85,920,646</u>
REPRESENTED BY:			
Share capital	21	12,241,798	12,241,798
Reserves		32,298,690	27,495,959
Unappropriated profit		38,231,813	34,207,654
Total equity attributable to the equity holders of the Bank		82,772,301	73,945,411
Non-controlling interest		2,827,060	2,324,385
		85,599,361	76,269,796
Surplus on revaluation of assets - net of deferred tax	22	15,255,023	9,650,850
		<u>100,854,384</u>	<u>85,920,646</u>
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Rana Assad Amin
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, 2012

	Note	2012 ----- (Rupees in '000) -----	2011
Mark-up / return / interest earned	25	75,379,861	71,376,843
Mark-up / return / interest expensed	26	35,736,985	31,305,056
Net mark-up / interest income		<u>39,642,876</u>	<u>40,071,787</u>
Provision against loans and advances - net	10.4	3,321,224	6,176,475
Provision against lendings to financial institutions - net	8.4	168,492	345,858
Provision for diminution in value of investments - net	9.3	438,149	412,115
Bad debts written off directly	10.5	319,102	340,416
		<u>4,246,967</u>	<u>7,274,864</u>
Net mark-up / return / interest income after provisions		<u>35,395,909</u>	<u>32,796,923</u>
Non mark-up / interest income			
Fee, commission and brokerage income		9,449,629	7,778,081
Dividend income		539,640	296,949
Income from dealing in foreign currencies		1,925,838	2,156,038
Gain on sale of securities - net	27	1,259,476	478,168
Unrealized loss on revaluation of investments classified as held for trading	9.4	(541)	(32,241)
Other income	28	4,020,789	2,452,788
Total non mark-up / interest income		<u>17,194,831</u>	<u>13,129,783</u>
		52,590,740	45,926,706
Non mark-up / interest expenses			
Administrative expenses	29	25,448,913	21,253,504
Other provisions - net	30	489,322	194,881
Workers' Welfare Fund	31	535,756	514,621
Other charges	32	103,962	104,939
Total non mark-up / interest expenses		26,577,953	22,067,945
Share of profit / (loss) of associates		2,397,659	(225,125)
Profit before taxation		<u>28,410,446</u>	<u>23,633,636</u>
Taxation - Current	33	9,061,871	8,967,802
- Prior years	33	489,932	681,560
- Deferred	33	(421,141)	(902,839)
		<u>9,130,662</u>	<u>8,746,523</u>
Profit after taxation		<u>19,279,784</u>	<u>14,887,113</u>
Attributable to:			
Equity shareholders of the Bank		19,227,848	14,854,785
Non-controlling interest		51,936	32,328
		<u>19,279,784</u>	<u>14,887,113</u>
----- (Rupees) -----			
Earnings per share - basic and diluted	34	<u>15.71</u>	<u>12.13</u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Rana Assad Amin
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, 2012

	2012	2011
	----- (Rupees in '000) -----	
Profit after tax for the year attributable to:		
Equity shareholders of the Bank	19,227,848	14,854,785
Non-controlling interest	<u>51,936</u>	<u>32,328</u>
	<u>19,279,784</u>	<u>14,887,113</u>
Other comprehensive income:		
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	<u>2,955,864</u>	<u>1,766,247</u>
- Non-controlling interest	<u>449,652</u>	<u>83,860</u>
	3,405,516	1,850,107
Gain on cash flow hedges	<u>63,078</u>	<u>103,319</u>
Related deferred tax liability on cash flow hedges	<u>(22,077)</u>	<u>(36,162)</u>
	41,001	67,157
	<u>3,446,517</u>	<u>1,917,264</u>
Comprehensive income transferred to equity - net of tax	<u><u>22,726,301</u></u>	<u><u>16,804,377</u></u>

The surplus 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 49 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari
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Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		28,410,446	23,633,636
Less: Dividend income		(539,640)	(296,949)
(Less) / Add: Share of (profit) / loss of associates		(2,397,659)	225,125
		<u>25,473,147</u>	<u>23,561,812</u>
Adjustments:			
Depreciation		1,618,856	1,329,813
Amortization		409,491	304,526
Workers' Welfare Fund		535,756	514,621
Provision for retirement benefits		793,718	429,022
Provision against loans and advances - net		3,321,224	6,176,475
Provision against lendings to financial institutions - net		168,492	345,858
Provision for diminution in value of investments - net		438,149	412,115
Reversal of provision in respect of investments disposed off during the year		(1,753,199)	(335,634)
Provision against off balance sheet items		249	4,144
Gain on sale of fixed assets		(26,370)	(39,679)
Bad debts written-off directly		319,102	340,416
Amortization of cash flow hedges		63,078	103,319
Unrealized loss on revaluation of investments classified as held for trading		541	32,241
Finance charges on leased assets		247	-
Provision against other assets		190,619	89,935
		<u>6,079,953</u>	<u>9,707,172</u>
		31,553,100	33,268,984
Decrease / (increase) in operating assets			
Lendings to financial institutions		(9,746,689)	(786,341)
Held for trading securities		(3,768,461)	15,343,074
Advances		(48,335,068)	(6,145,998)
Other assets (excluding advance taxation)		(1,700,595)	(1,354,847)
		<u>(63,550,813)</u>	<u>7,055,888</u>
(Decrease) / increase in operating liabilities			
Bills payable		1,721,590	804,343
Borrowings		17,259,505	2,323,890
Deposits and other accounts		120,467,640	67,185,366
Other liabilities (excluding current taxation)		(594,148)	(345,940)
		<u>138,854,587</u>	<u>69,967,659</u>
		106,856,874	110,292,532
Staff retirement benefits paid		(301,455)	(283,594)
Income taxes paid		(12,313,242)	(9,071,808)
Net cash flow from operating activities		<u>94,242,177</u>	<u>100,937,130</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities		(64,308,594)	(85,045,686)
Dividend income received		583,956	706,062
Investment in operating fixed assets		(3,837,432)	(2,371,444)
Sale proceeds from disposal of operating fixed assets		99,610	116,216
Net cash outflow from investing activities		<u>(67,462,460)</u>	<u>(86,594,852)</u>
NET CASH OUTFLOW FROM FINANCING ACTIVITIES			
Repayments of subordinated loans		(1,997,816)	(668,668)
Payments in respect of lease obligations		(752)	-
Dividends paid		(13,465,978)	(6,732,989)
Net cash outflow from financing activities		<u>(15,464,546)</u>	<u>(7,401,657)</u>
Exchange differences on translation of net assets attributable to non-controlling interest		449,652	83,860
Exchange differences on translation of net investment in foreign branches and subsidiaries		2,955,864	1,766,247
		<u>14,720,687</u>	<u>8,790,728</u>
Increase in cash and cash equivalents		14,720,687	8,790,728
Cash and cash equivalents at the beginning of the year		<u>102,888,882</u>	<u>94,098,154</u>
Cash and cash equivalents at the end of the year	35	<u><u>117,609,569</u></u>	<u><u>102,888,882</u></u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Rana Assad Amin
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

	Attributable to equity shareholders of the Bank							Non-controlling interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserves-- Exchange translation reserve	Cash flow hedge reserve	Employee stock option reserve	Unappropriated profit			Sub total
	(Rupees in '000)									
Balance as at January 1, 2011	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
Transactions with owners recorded directly in equity for the year ended December 31, 2011										
Final cash dividend - December 31, 2010 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - 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
Total comprehensive income for the year ended December 31, 2011	-	-	-	-	-	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	83,860	1,917,264
Total comprehensive income for the year ended December 31, 2011	-	-	-	1,766,247	67,157	-	14,854,785	16,688,189	116,188	16,804,377
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	69,043	69,043	956	69,999
Transfer to statutory reserve	-	-	1,559,518	-	-	-	(1,559,518)	-	-	-
Balance as at December 31, 2011	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
Transactions with owners recorded directly in equity for the year ended December 31, 2012										
Final cash dividend - December 31, 2011 declared subsequent to the year end at Rs.6.0 per share	-	-	-	-	-	-	(7,345,078)	(7,345,078)	-	(7,345,078)
Interim cash dividend - March 31, 2012 declared at Re.1.0 per share	-	-	-	-	-	-	(1,224,180)	(1,224,180)	-	(1,224,180)
Interim cash dividend - June 30, 2012 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - September 30, 2012 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	(117)	-	(117)	-	(117)
	-	-	-	-	-	(117)	(13,465,978)	(13,466,095)	-	(13,466,095)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	19,227,848	19,227,848	51,936	19,279,784
Other comprehensive income - net of tax	-	-	-	2,955,864	41,001	-	-	2,996,865	449,652	3,446,517
Total comprehensive income for the year ended December 31, 2012	-	-	-	2,955,864	41,001	-	19,227,848	22,224,713	501,588	22,726,301
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,272	68,272	1,087	69,359
Transfer to statutory reserve	-	-	1,805,983	-	-	-	(1,805,983)	-	-	-
Balance as at December 31, 2012	12,241,798	3,000	17,828,197	14,487,405	(20,994)	1,082	38,231,813	82,772,301	2,827,060	85,599,361

Appropriations made by the Board of Directors subsequent to the year ended December 31, 2012 are disclosed in note 47 to these consolidated financial statements.

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Rana Assad Amin
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, 2012**
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 1,278 (2011: 1,218) branches inside Pakistan including 19 (2011: 14) Islamic Banking branches and 1 (2011: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2011: 17) branches outside Pakistan as at December 31, 2012.

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.

During the year United National Bank Limited adopted the trade name United Bank UK. However, the legal name remains unchanged.

- 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 3, 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 State Life Building No. 1, I. I. Chundrigar Road, Karachi.

- UBL Bank (Tanzania) Limited, Tanzania - 100 percent holding

UBL Bank (Tanzania) Limited was incorporated on March 13, 2012 and is in the process of completing formalities for receiving a certificate for commencement of business.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 46 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, 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. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan. 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 and International Accounting Standard 40, Investment Property 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 revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	July 01, 2012
IAS 19 - Employee Benefits (Revised)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 01, 2014

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

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The significant changes to IAS 19 are as follows:

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

The Group is currently assessing the full impact of the above amendments to IAS 19 on its consolidated financial statements. It is expected that the adoption of the said amendments, which are effective only from January 1, 2013, will result in a change in the Group's accounting policy related to recognition of actuarial gains and losses (note 5.11.1 and 5.11.3) and in the recognition of cumulative unrecognized actuarial gain amounting to Rs. 1,500.005 million in other comprehensive income in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2013. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

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

4. BASIS OF MEASUREMENT
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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****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 management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.5 and 9)
- ii) provision against investments (notes 5.5 and 9.3), lendings to financial institutions (note: 8.4) and advances (notes 5.6 and 10.4)
- iii) income taxes (notes 5.9 and 33)
- iv) staff retirement benefits (note 5.11 and 37)
- v) fair value of derivatives (note 5.16.2 and 20.3)
- vi) operating fixed assets, depreciation and amortization (note 5.7 and 11)
- vii) impairment (note 5.8)

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 the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company, 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 amended accounting standard which became effective during the year. Other than this, the accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

IAS 12 - Income taxes (Amendment) - Recovery of underlying assets

The adoption of the above amended standard did not have a material effect on these consolidated financial statements.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****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 reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

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 re-purchase agreement (repo) are retained in the consolidated financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential between the sale price and the repurchase price 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 either acquired 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 maturities, in respect of which the Bank 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 investment. Regular way purchases or sales are purchases or sales of investments that require delivery of investments 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
Subsequent measurement
Held for trading

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

Held to maturity

These are measured at 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 statement of financial position 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 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, Khushhali Bank 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 provision against domestic advances and general provision 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 provision 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 5, 2007.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****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 and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange.

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 the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) 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 Finance lease

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

5.7.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches and subsidiaries include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 11.3 to these consolidated financial statements. The amortization 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. Amortization on additions is charged from the month the asset is available for use.

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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****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.

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 these 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.

5.9.2 Prior years

The charge for prior years consists of adjustments relating to prior years, arising from assessments made during the current year.

5.9.3 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. 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 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, 2012****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 the future payments is available.

Other benefits**a) Employees' 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 has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

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 credited or charged 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 in the profit and loss account immediately.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
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 1, 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 the Securities and Exchange Commission of Pakistan.

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, 2012****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 / interest 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 a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.

Interest or mark-up recoverable on non-performing or classified advances and investments is recognized on a receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognized when received or as required by overseas regulatory authorities of the countries where 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 are recorded as income when the related expenditure is incurred.

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

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These 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 foreign 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.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

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.

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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****5.15.5 Contingencies and commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in these 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 statement of financial position date.

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 other 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 hedging 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. A formal assessment is also undertaken to ascertain whether 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 changes in the 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% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

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.

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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****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, lending 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 six geographical regions being:

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

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 ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		19,179,235	19,497,875
Foreign currency		4,685,946	3,539,057
		<u>23,865,181</u>	<u>23,036,932</u>
With State Bank of Pakistan in			
Local currency current accounts	6.1	22,998,175	21,787,307
Local currency deposit account		-	3,864
Foreign currency current accounts	6.2	1,646,896	1,317,252
Foreign currency deposit account	6.3	4,732,230	3,857,969
		<u>29,377,301</u>	<u>26,966,392</u>
With other central banks in			
Foreign currency current accounts	6.4	17,103,100	11,317,960
Foreign currency deposit accounts	6.5	2,946,037	2,646,161
With National Bank of Pakistan in local currency current accounts			
National Prize Bonds		21,377,121	22,250,603
		97,749	91,013
		<u>94,766,489</u>	<u>86,309,061</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 current accounts maintained with the SBP to comply with the statutory requirements issued from time to time.		
6.3	This represents accounts maintained with the SBP to comply with Special Cash Reserve Requirement. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2012, carries mark-up at the rate of 0.00% (2011: 0.00%) 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.		
6.5	This represents a placement with an overseas central bank and carries mark-up at the rate of 0.25% (2011: 0.25% to 0.76%) per annum.		
	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		29,718	21,592
In deposit accounts	7.1	904,860	2,004,265
		<u>934,578</u>	<u>2,025,857</u>
Outside Pakistan			
In current accounts		7,101,140	4,689,998
In deposit accounts	7.2	14,807,362	9,863,966
		<u>21,908,502</u>	<u>14,553,964</u>
		<u>22,843,080</u>	<u>16,579,821</u>
7.1	These carry mark-up at rates ranging from 8.97% to 11.27% (2011: 11.35% to 12%) per annum.		
7.2	These carry mark-up at rates ranging from 0.01% to 13.25% (2011: 0.01% to 3.00%) per annum and include balances amounting to Rs.209 million (2011: Rs.193 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Note	2012 ----- (Rupees in '000) -----	2011
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	130,000
Repurchase agreement lendings	8.2	6,470,898	-
Other lendings to financial institutions	8.3	<u>16,036,288</u>	<u>12,601,898</u>
		22,507,186	12,731,898
Provision against lendings to financial institutions	8.4	<u>(553,728)</u>	<u>(356,637)</u>
		<u><u>21,953,458</u></u>	<u><u>12,375,261</u></u>

8.1 Particulars of lendings to financial institutions - gross

In local currency	8,246,736	1,860,820
In foreign currencies	<u>14,260,450</u>	<u>10,871,078</u>
	<u><u>22,507,186</u></u>	<u><u>12,731,898</u></u>

8.2 Securities held as collateral against repurchase agreement lendings

	2012			2011		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	<u>6,470,898</u>	-	<u>6,470,898</u>	-	-	-
	<u><u>6,470,898</u></u>	-	<u><u>6,470,898</u></u>	-	-	-

Repurchase agreement lendings carry mark-up at rates ranging from 7.50% to 8.50% per annum and are due to mature latest by January 2013. The market value of the securities held as collateral against these lendings amounted to Rs.6,474.321 million.

8.3 Lendings pertaining to domestic operations carry mark-up at rates ranging from 10.31% to 12.51% per annum (2011: 13.47% to 15.65% per annum) and are due to mature latest by August 2015, whereas lendings pertaining to overseas operations carry mark-up at rates ranging from 0.20% to 4.00% per annum (2011: 0.06% to 4.30% per annum) and are due to mature latest by April 2014.

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

	2012 ----- (Rupees in '000) -----	2011
Opening balance	356,637	-
Exchange adjustments	28,599	10,779
Charge / (reversal)		
Charge for the year	<u>179,667</u>	<u>345,858</u>
Reversals	<u>(11,175)</u>	<u>-</u>
	<u>168,492</u>	<u>345,858</u>
Closing balance	<u><u>553,728</u></u>	<u><u>356,637</u></u>

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9. INVESTMENTS
9.1 Investments by types

Note	2012			2011			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
	(Rupees in '000)						
Held for trading securities							
Market Treasury Bills	3,797,712	-	3,797,712	692,705	-	692,705	
Pakistan Investment Bonds	514,070	-	514,070	-	-	-	
Ordinary shares of listed companies	498,289	-	498,289	386,782	-	386,782	
Term Finance Certificates	102,445	-	102,445	101,174	-	101,174	
Units of mutual funds	50,866	-	50,866	44,252	-	44,252	
Sukuk Bonds	26,208	-	26,208	28,504	-	28,504	
	4,989,590	-	4,989,590	1,253,417	-	1,253,417	
Available for sale securities							
Market Treasury Bills	78,285,856	44,734,778	123,020,634	100,056,116	28,236,295	128,292,411	
Pakistan Investment Bonds	63,327,795	-	63,327,795	28,741,922	-	28,741,922	
Government of Pakistan Sukuk	9,043,880	-	9,043,880	7,666,532	-	7,666,532	
Government of Pakistan Eurobonds	9,466,364	-	9,466,364	7,373,609	-	7,373,609	
Ordinary shares of listed companies	6,537,792	-	6,537,792	5,806,330	-	5,806,330	
Preference shares	430,177	-	430,177	485,936	-	485,936	
Ordinary shares of unlisted companies	243,176	-	243,176	445,724	-	445,724	
Term Finance Certificates	2,021,204	-	2,021,204	2,146,276	-	2,146,276	
Units of mutual funds	114,075	-	114,075	2,179,075	-	2,179,075	
Foreign bonds	50,830,519	-	50,830,519	18,181,364	-	18,181,364	
	220,300,838	44,734,778	265,035,616	173,082,884	28,236,295	201,319,179	
Held to maturity securities							
Market Treasury Bills	54,799,452	-	54,799,452	50,545,793	-	50,545,793	
Pakistan Investment Bonds	31,273,156	-	31,273,156	23,468,779	-	23,468,779	
Government of Pakistan Sukuk	300,000	-	300,000	300,000	-	300,000	
Government of Pakistan Guaranteed Bonds	42,654	-	42,654	51,202	-	51,202	
Term Finance Certificates	3,971,848	-	3,971,848	3,832,169	-	3,832,169	
Sukuk Bonds	1,498,551	-	1,498,551	1,863,468	-	1,863,468	
Participation Term Certificates	4,939	-	4,939	10,661	-	10,661	
Debentures	4,392	-	4,392	4,392	-	4,392	
Foreign bonds	653,947	-	653,947	5,441,878	-	5,441,878	
Recovery note	307,517	-	307,517	289,214	-	289,214	
Commercial paper	-	-	-	50,438	-	50,438	
CDC SAARC Fund	211	-	211	450	-	450	
Government of Pakistan Eurobonds	1,626,312	-	1,626,312	1,986,830	-	1,986,830	
	94,482,979	-	94,482,979	87,845,274	-	87,845,274	
Associates							
United Growth and Income Fund	9.9.1	2,557,423	-	2,557,423	2,332,486	-	2,332,486
UBL Liquidity Plus Fund	9.9.2	6,373,263	-	6,373,263	5,049,099	-	5,049,099
UBL Shariah Stock Fund	9.9.3	524,191	-	524,191	346,862	-	346,862
United Islamic Income Fund	9.9.4	192,062	-	192,062	163,959	-	163,959
United Stock Advantage Fund	9.9.5	523,026	-	523,026	388,046	-	388,046
UBL Capital Protected Fund - II	9.9.6	-	-	-	113,092	-	113,092
UBL Savings Income Fund	9.9.7	190,189	-	190,189	2,734,011	-	2,734,011
UBL Islamic Sovereign Fund	9.9.8	337,613	-	337,613	1,630,032	-	1,630,032
UBL Islamic Retirement Savings Fund	9.9.9	128,771	-	128,771	105,062	-	105,062
UBL Retirement Savings Fund	9.9.10	132,088	-	132,088	106,146	-	106,146
UBL Principal Protected Fund - I	9.9.11	166,951	-	166,951	-	-	-
UBL Government Securities Fund	9.9.12	266,799	-	266,799	3,058,294	-	3,058,294
UBL Islamic Cash Fund	9.9.13	102,074	-	102,074	-	-	-
UBL Insurers Limited	9.9.14	196,855	-	196,855	188,637	-	188,637
Khushhali Bank Limited	9.7 & 9.9.15	876,358	-	876,358	-	-	-
Oman United Exchange Company, Muscat	9.9.16	68,126	-	68,126	66,954	-	66,954
	9.9	12,635,789	-	12,635,789	16,282,680	-	16,282,680
		332,409,196	44,734,778	377,143,974	278,464,255	28,236,295	306,700,550
Provision for diminution in value of investments	9.3	(1,420,570)	-	(1,420,570)	(2,734,622)	-	(2,734,622)
Investments (net of provisions)		330,988,626	44,734,778	375,723,404	275,729,633	28,236,295	303,965,928
Surplus / (deficit) on revaluation of available for sale securities	22.2	5,129,617	393,416	5,523,033	(2,859,684)	32,921	(2,826,763)
Deficit on revaluation of held for trading securities		(534)	-	(534)	(32,288)	-	(32,288)
Total investments		336,117,709	45,128,194	381,245,903	272,837,661	28,269,216	301,106,877

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Note	2012 ----- (Rupees in '000) -----	2011
9.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills		159,837,863	167,434,994
Pakistan Investment Bonds		95,115,021	52,210,701
Government of Pakistan Sukuk		9,343,880	7,966,532
Government of Pakistan Eurobonds		11,092,676	9,360,439
Government of Pakistan Guaranteed Bonds		42,654	51,202
		275,432,094	237,023,868
Foreign securities			
Market Treasury Bills		21,779,935	12,095,915
Government bonds		22,739,345	12,522,356
Government Sukuk		-	329,231
CDC SAARC Fund		211	450
Recovery note		307,517	289,214
Other bonds		28,745,121	11,100,885
		73,572,129	36,338,051
Ordinary shares			
Listed companies		7,036,081	6,193,112
Unlisted companies		243,176	445,724
		7,279,257	6,638,836
Preference shares		430,177	485,936
Units of Mutual Funds		164,941	2,223,327
Term Finance Certificates			
Listed companies		2,844,879	2,743,813
Unlisted companies		3,250,618	3,335,806
		6,095,497	6,079,619
Sukuk Bonds		1,524,759	1,562,742
Debentures		4,392	4,392
Participation Term Certificates		4,939	10,661
Commercial paper		-	50,438
Investment in associates	9.7 & 9.9	12,635,789	16,282,680
Total investments at cost		377,143,974	306,700,550
Provision for diminution in value of investments	9.3	(1,420,570)	(2,734,622)
Investments (net of provisions)		375,723,404	303,965,928
Surplus / (deficit) on revaluation of available for sale securities	22.2	5,523,033	(2,826,763)
Deficit on revaluation of held for trading securities		(534)	(32,288)
Total investments		381,245,903	301,106,877

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
	----- (Rupees in '000) -----	
9.3 Provision for diminution in value of investments:		
9.3.1		
Opening balance	2,734,622	2,649,005
Charged during the year	496,390	458,807
Reversed during the year	(58,241)	(46,692)
Net charge for the year	438,149	412,115
Reversed on disposal	(1,753,199)	(335,634)
Transfers out - net	(50,036)	(21,542)
Exchange difference	51,617	30,678
	(1,751,618)	(326,498)
Written off during the year	(583)	-
Closing balance	<u>1,420,570</u>	<u>2,734,622</u>
9.3.2 Provision for diminution in value of investments by type		
Available for sale securities		
Ordinary shares of listed companies	362,749	1,705,875
Ordinary shares of unlisted companies	135,615	145,717
Foreign bonds	40,194	37,209
Preference shares	320,180	362,525
	858,738	2,251,326
Held to maturity securities		
Term Finance Certificates	115,639	104,136
Sukuks	129,345	74,893
Participation Term Certificates	4,939	10,661
Recovery note	307,517	289,214
Debentures	4,392	4,392
	561,832	483,296
	<u>1,420,570</u>	<u>2,734,622</u>
9.3.3 Provision for diminution in value of investments by segment		
Equity securities		
Listed companies	362,749	1,705,875
Unlisted companies	135,615	145,717
Preference shares	320,180	362,525
	818,544	2,214,117
Debt securities		
Term Finance Certificates	115,639	104,136
Sukuks	129,345	74,893
Recovery note	307,517	289,214
Foreign bonds	40,194	37,209
Participation Term Certificates	4,939	10,661
Debentures	4,392	4,392
	602,026	520,505
	<u>1,420,570</u>	<u>2,734,622</u>
9.3.4		
The SBP, vide Letter No. BPRD/BRD-(Policy)/2012-13702 dated November 20, 2012 has permitted banks to maintain provision against Term Finance Certificates issued by Azgard Nine Limited, classified in Loss category, at 50% of the exposure. Accordingly, provision for diminution in value of investments includes Rs.48.808 million (2011: Rs.Nil) against Azgard Nine Limited.		
9.4 Unrealized (loss) / gain on revaluation of held for trading securities		
Market Treasury Bills	575	(42)
Pakistan Investment Bonds	(1,105)	-
Ordinary shares of listed companies	2,766	(43,708)
Term Finance Certificates	(2,886)	9,407
Mutual Funds	109	2,102
	<u>(541)</u>	<u>(32,241)</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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- 9.5** Investments include securities which are held by the Bank 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 (2011: Rs.282 million) held by the SBP 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 (2011: Rs.5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.
- 9.7** This represents the Group's investment in Khushhali Bank Limited (KBL) which is incorporated under the Microfinance Institutions Ordinance, 2001.

As mentioned in Note 9.7 to the consolidated financial statements for the year ended December 31, 2011, a consortium led by the Bank and including four international private equity funds had submitted a bid on February 16, 2012 for acquiring majority control of KBL. The consortium's bid was selected as the highest bid by the selling shareholders of KBL and, after completion of regulatory consents and approval from the SBP and the Competition Commission of Pakistan, a Share Purchase Agreement was successfully executed between the Bank's consortium and the selling shareholders of KBL on June 4, 2012.

Post acquisition, the Bank's direct shareholding in KBL is 29.69%. The investment in KBL is classified as an associate due to the Group's significant influence on KBL by virtue of its shareholding.

- 9.8** Information relating to investments required to be disclosed as part of the financial statements under the SBP'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

	2012	2011
	----- (Rupees in '000) -----	
9.9.1 United Growth and Income Fund		
Investment at the beginning of the year	2,332,486	3,023,430
Share of profit / (loss)	166,953	(690,604)
Share of unrealized surplus / (deficit) on assets	57,984	(340)
Investment at the end of the year	<u>2,557,423</u>	<u>2,332,486</u>
Percentage holding as at December 31	<u>88.22%</u>	<u>85.63%</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, the fund has 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:

		<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit / (loss)</u>
		----- (Rupees in '000) -----			
United Growth and Income Fund	2012	<u>2,907,892</u>	<u>9,023</u>	<u>455,197</u>	<u>199,298</u>
	2011	<u>2,733,955</u>	<u>9,917</u>	<u>299,294</u>	<u>(905,380)</u>

	2012	2011
	----- (Rupees in '000) -----	
9.9.2 United Liquidity Plus Fund		
Investment at the beginning of the year	5,049,099	2,613,475
Investment during the year	1,410,303	2,488,710
Share of profit	978,536	210,182
Dividend received	(1,066,191)	(263,076)
Share of unrealized surplus / (deficit) on assets	1,516	(192)
Investment at the end of the year	<u>6,373,263</u>	<u>5,049,099</u>
Percentage holding as at December 31	<u>35.39%</u>	<u>26.07%</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.

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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:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
United Liquidity Plus Fund	2012	18,032,784	23,614	2,977,399	2,723,346
	2011	19,422,890	55,517	2,217,962	2,150,600

		2012	2011
----- (Rupees in '000) -----			
9.9.3 UBL Shariah Stock Fund (formerly United Composite Islamic Fund)			
Investment at the beginning of the year		346,862	338,110
Investment / (redemption) during the year		40,614	(1,548)
Share of profit		133,363	2,987
Share of unrealized surplus on assets		3,352	7,313
Investment at the end of the year		524,191	346,862
Percentage holding as at December 31		74.49%	75.57%

9.9.3.1 UBL Shariah Stock Fund (formerly United Composite Islamic Fund) is an open ended Shariah compliant 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:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
UBL Shariah Stock Fund	2012	707,572	3,866	205,557	181,807
	2011	466,746	7,745	41,120	18,916

		2012	2011
----- (Rupees in '000) -----			
9.9.4 United Islamic Income Fund			
Investment at the beginning of the year		163,959	196,425
Share of profit / (loss)		30,788	(37,704)
Dividend received		-	(13,332)
Share of unrealized (deficit) / surplus on assets		(2,685)	18,570
Investment at the end of the year		192,062	163,959
Percentage holding as at December 31		57.52%	57.21%

9.9.4.1 United Islamic Income Fund is an open ended Shariah compliant 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.

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

		Assets	Liabilities	Revenue	(Loss) / profit
----- (Rupees in '000) -----					
United Islamic Income Fund	2012	345,638	11,741	90,721	55,868
	2011	288,242	1,632	33,079	(81,643)

		2012	2011
----- (Rupees in '000) -----			
9.9.5 United Stock Advantage Fund			
Investment at the beginning of the year		388,046	354,897
(Redemption) / investment during the year		(32,185)	44,187
Share of profit / (loss)		180,403	(7,922)
Share of unrealized deficit on assets		(13,238)	(3,116)
Investment at the end of the year		523,026	388,046
Percentage holding as at December 31		36.96%	32.97%

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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:

		Assets	Liabilities	Revenue	Profit / (loss)
----- (Rupees in '000) -----					
United Stock Advantage Fund	2012	<u>1,423,624</u>	<u>8,364</u>	<u>614,329</u>	<u>468,720</u>
	2011	<u>1,241,024</u>	<u>63,976</u>	<u>17,804</u>	<u>962,679</u>

		2012	2011
----- (Rupees in '000) -----			
9.9.6 UBL Capital Protected Fund - II			
Investment at the beginning of the year		113,092	108,757
(Redemption) / investment during the year		(117,375)	6
Share of profit		<u>4,283</u>	<u>4,329</u>
Investment at the end of the year		<u>-</u>	<u>113,092</u>
Percentage holding as at December 31		<u>-</u>	<u>57.39%</u>

9.9.6.1 UBL Capital Protected Fund - II matured in May 2012.

9.9.6.2 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	Profit
----- (Rupees in '000) -----					
UBL Capital Protected Fund - II	2012	<u>-</u>	<u>-</u>	<u>11,130</u>	<u>8,017</u>
	2011	<u>197,986</u>	<u>927</u>	<u>13,732</u>	<u>7,559</u>

		2012	2011
----- (Rupees in '000) -----			
9.9.7 UBL Savings Income Fund			
Investment at the beginning of the year		2,734,011	174,469
(Redemption) / investment during the year		(2,392,301)	2,531,284
Share of profit		259,119	78,531
Dividend received		(413,670)	(47,238)
Share of unrealized surplus / (deficit) on assets		<u>3,030</u>	<u>(3,035)</u>
Investment at the end of the year		<u>190,189</u>	<u>2,734,011</u>
Percentage holding as at December 31		<u>5.69%</u>	<u>54.60%</u>

9.9.7.1 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.

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

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
UBL Savings Income Fund	2012	<u>3,406,366</u>	<u>63,744</u>	<u>651,275</u>	<u>599,662</u>
	2011	<u>5,091,173</u>	<u>83,670</u>	<u>301,818</u>	<u>450,601</u>

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9.9.8 UBL Islamic Sovereign Fund (formerly UBL Islamic Savings Fund)	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	1,630,032	197,224
(Redemption) / investment during the year	(1,203,097)	1,422,670
Share of profit	148,721	54,191
Dividend received	(238,938)	(42,626)
Share of unrealized surplus / (deficit) on assets	895	(1,427)
Investment at the end of the year	<u>337,613</u>	<u>1,630,032</u>
Percentage holding as at December 31	<u>9.22%</u>	<u>43.84%</u>

9.9.8.1 UBL Islamic Sovereign Fund (formerly UBL Islamic Savings Fund) is an open ended Shariah compliant 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:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Islamic Sovereign Fund	2012	<u>3,974,046</u>	<u>312,846</u>	<u>447,168</u>	<u>399,301</u>
	2011	<u>3,740,191</u>	<u>21,761</u>	<u>267,167</u>	<u>351,394</u>

9.9.9 UBL Islamic Retirement Savings Fund	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	105,062	98,310
Share of profit	23,698	6,370
Share of unrealized surplus on assets	11	382
Investment at the end of the year	<u>128,771</u>	<u>105,062</u>
Percentage holding as at December 31	<u>57.18%</u>	<u>90.87%</u>

9.9.9.1 UBL Islamic Retirement Savings Fund is an open ended Shariah compliant pension fund and 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:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Islamic Retirement Savings Fund	2012	<u>221,882</u>	<u>527</u>	<u>34,018</u>	<u>36,404</u>
	2011	<u>116,220</u>	<u>563</u>	<u>10,045</u>	<u>7,719</u>

9.9.10 UBL Retirement Savings Fund	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	106,146	99,681
Share of profit	25,826	6,229
Share of unrealized surplus on assets	116	236
Investment at the end of the year	<u>132,088</u>	<u>106,146</u>
Percentage holding as at December 31	<u>37.06%</u>	<u>75.64%</u>

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

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:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
UBL Retirement Savings Fund	2012	<u>342,763</u>	<u>1,010</u>	<u>50,918</u>	<u>58,044</u>
	2011	<u>141,992</u>	<u>1,610</u>	<u>11,218</u>	<u>9,772</u>

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9.9.11 UBL Principal Protected Fund - I	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	-	-
Investment during the year	129,979	-
Share of profit	36,972	-
Investment at the end of the year	<u>166,951</u>	<u>-</u>
Percentage holding as at December 31	<u>34.78%</u>	<u>-</u>

9.9.11.1 UBL Principal Protected Fund - I 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.

9.9.11.2 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 / (loss)</u>
	----- (Rupees in '000) -----			
UBL Principal Protected Fund - I	<u>480,502</u>	<u>536</u>	<u>103,328</u>	<u>100,880</u>

9.9.12 UBL Government Securities Fund	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	3,058,294	-
(Redemption) / investment during the year	(2,811,330)	3,100,000
Share of profit	336,001	31,872
Dividend received	(321,403)	(69,143)
Share of unrealized surplus / (deficit) on assets	5,237	(4,435)
Investment at the end of the year	<u>266,799</u>	<u>3,058,294</u>
Percentage holding as at December 31	<u>11.79%</u>	<u>62.09%</u>

9.9.12.1 UBL Government Securities Fund is a 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.

9.9.12.2 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) -----			
UBL Government Securities Fund	<u>3,272,408</u>	<u>1,009,283</u>	<u>610,735</u>	<u>545,228</u>
	<u>4,945,945</u>	<u>20,088</u>	<u>130,868</u>	<u>166,775</u>

9.9.13 UBL Islamic Cash Fund	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	-	-
Investment during the year	100,000	-
Share of profit	2,074	-
Investment at the end of the year	<u>102,074</u>	<u>-</u>
Percentage holding as at December 31	<u>46.60%</u>	<u>-</u>

9.9.13.1 UBL Islamic Cash Fund is a open ended Shariah compliant 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.

9.9.13.2 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) -----			
UBL Islamic Cash Fund	<u>223,176</u>	<u>4,140</u>	<u>6,870</u>	<u>4,449</u>

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9.9.14 UBL Insurers Limited	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	188,637	150,038
Share of profit	8,218	38,599
Investment at the end of the year	<u>196,855</u>	<u>188,637</u>
Percentage holding as at December 31	<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:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
UBL Insurers Limited				
2012	<u>1,491,474</u>	<u>835,290</u>	<u>354,587</u>	<u>28,130</u>
2011	<u>1,350,207</u>	<u>722,153</u>	<u>327,535</u>	<u>127,926</u>

9.9.15 Khushhali Bank Limited	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	-	-
Investment during the year	632,485	-
Transfer from available for sale investments	200,000	-
Share of profit	43,342	-
Share of unrealized surplus on assets	531	-
Investment at the end of the year	<u>876,358</u>	<u>-</u>
Percentage holding as at December 31	<u>26.69%</u>	<u>0.00%</u>

9.9.15.1 Khushhali Bank Limited is a microfinance bank. The principal objective of the bank is to alleviate poverty by providing microfinance services and promoting social welfare and economic justice through community building and social mobilization.

9.9.15.2 The details of assets, liabilities, revenues and results of the Khushhali Bank Limited as of December 31, based on unaudited financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Khushhali Bank Limited				
2012	<u>9,867,882</u>	<u>7,371,652</u>	<u>1,550,958</u>	<u>157,409</u>

9.9.16 Oman United Exchange Company	2012	2011
	----- (Rupees in '000) -----	
Investment at the beginning of the year	66,954	65,108
Share of profit	19,362	24,276
Dividend received	(18,190)	(22,430)
Investment at the end of the year	<u>68,126</u>	<u>66,954</u>
Percentage holding as at December 31	<u>25.00%</u>	<u>25.00%</u>

9.9.16.1 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.

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

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
Oman United Exchange Company				
2012	<u>363,148</u>	<u>90,638</u>	<u>202,798</u>	<u>70,234</u>
2011	<u>339,603</u>	<u>82,240</u>	<u>188,160</u>	<u>77,277</u>

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10. ADVANCES	Note	Performing		Non-performing		Total	
		2012	2011	2012	2011	2012	2011
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.							
In Pakistan	10.2	230,815,515	217,075,307	42,504,178	41,798,946	273,319,693	258,874,253
Outside Pakistan		105,533,742	82,310,979	8,205,609	6,253,497	113,739,351	88,564,476
		336,349,257	299,386,286	50,709,787	48,052,443	387,059,044	347,438,729
Bills discounted and purchased							
Payable in Pakistan		19,991,220	15,840,765	5,404,969	2,711,544	25,396,189	18,552,309
Payable outside Pakistan		15,903,808	15,744,554	2,335,401	380,183	18,239,209	16,124,737
		35,895,028	31,585,319	7,740,370	3,091,727	43,635,398	34,677,046
Advances - gross		372,244,285	330,971,605	58,450,157	51,144,170	430,694,442	382,115,775
Provision against advances	10.4	-	-	(43,597,349)	(39,967,562)	(43,597,349)	(39,967,562)
- Specific		(1,242,626)	(1,002,011)	(20,206)	(6,683)	(1,262,832)	(1,008,694)
- General		(1,242,626)	(1,002,011)	(43,617,555)	(39,974,245)	(44,860,181)	(40,976,256)
Advances - net of provision		371,001,659	329,969,594	14,832,602	11,169,925	385,834,261	341,139,519
10.1 Particulars of advances - gross		Performing		Non-performing		Total	
		2012	2011	2012	2011	2012	2011
----- (Rupees in '000) -----							
10.1.1 In local currency		249,048,415	227,995,007	47,607,666	44,165,843	296,656,081	272,160,850
In foreign currencies		123,195,870	102,976,598	10,842,491	6,978,327	134,038,361	109,954,925
		372,244,285	330,971,605	58,450,157	51,144,170	430,694,442	382,115,775
10.1.2 Short term		227,458,395	226,367,149	-	-	227,458,395	226,367,149
Long term		144,785,890	104,604,456	58,450,157	51,144,170	203,236,047	155,748,626
		372,244,285	330,971,605	58,450,157	51,144,170	430,694,442	382,115,775
10.2		Non-performing advances include advances having gross book value of Rs.14,554.414 million (2011: Rs.10,591.010 million) and net book value of Rs.3,124.456 million (2011: Rs.3,207.771 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.					

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10.3 Advances include Rs.58,450 million (2011: Rs.51,144 million) which have been placed under non-performing status as detailed below:

Category of Classification	2012			2012			2012		
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned *	248,010	-	248,010	-	-	-	-	-	-
Substandard	2,138,136	1,693,617	3,831,753	425,466	338,035	763,501	425,466	338,035	763,501
Doubtful	2,540,057	2,847,071	5,387,128	1,148,763	1,191,246	2,340,009	1,148,763	1,191,246	2,340,009
Loss	42,982,937	6,000,329	48,983,266	36,264,639	4,229,200	40,493,839	36,264,639	4,229,200	40,493,839
	<u>47,909,140</u>	<u>10,541,017</u>	<u>58,450,157</u>	<u>37,838,868</u>	<u>5,758,481</u>	<u>43,597,349</u>	<u>37,838,868</u>	<u>5,758,481</u>	<u>43,597,349</u>

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>

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

10.4 Particulars of provision against advances

Note	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	39,967,562	1,008,694	40,976,256	33,544,116	1,425,496	34,969,612
Exchange adjustments	400,285	58,824	459,109	234,432	27,467	261,899
Charge / (reversals)						
Charge for the year	5,943,612	290,497	6,234,109	9,792,129	157,904	9,950,033
Reversals	(2,817,702)	(95,183)	(2,912,885)	(3,171,885)	(601,673)	(3,773,558)
Transfers in - net	3,125,910	195,314	3,321,224	6,620,244	(443,769)	6,176,475
Amounts written off	445,854	-	445,854	328,769	(500)	328,269
	(342,262)	-	(342,262)	(759,999)	-	(759,999)
Closing balance	<u>43,597,349</u>	<u>1,262,832</u>	<u>44,860,181</u>	<u>39,967,562</u>	<u>1,008,694</u>	<u>40,976,256</u>

10.4.1 General provision represents provision amounting to Rs.264.970 million (2011: Rs.308.153 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs.949.862 million (2011: Rs.600.541 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate. General provisions also include an amount of Rs.48.000 million (2011: Rs.100.000 million) which the Bank 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 properties 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.3,169 million (2011: Rs.3,811 million). The FSV benefit recognized will not be available for the distribution of cash or stock dividend to shareholders.

10.4.3 The SBP, vide Letter No. BPRD/BRD-(Policy)/2012-13702 dated November 20, 2012 has permitted banks to maintain provision against Azgard Nine Limited, classified in loss category, at 50% of the exposure. Accordingly, specific provision includes Rs.67.501 million (2011: Rs.Nil) against Azgard Nine Limited.

10.4.4 Particulars of provision against advances

	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	37,594,095	312,970	37,907,065	35,397,059	408,153	35,805,212
In foreign currencies	6,003,254	949,862	6,953,116	4,570,503	600,541	5,171,044
	<u>43,597,349</u>	<u>1,262,832</u>	<u>44,860,181</u>	<u>39,967,562</u>	<u>1,008,694</u>	<u>40,976,256</u>

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	Note	2012 ----- (Rupees in '000) -----	2011
10.5 Particulars of write-offs			
10.5.1 Against provisions	10.4	342,262	759,999
Directly charged to profit and loss account		<u>319,102</u>	<u>340,416</u>
		<u><u>661,364</u></u>	<u><u>1,100,415</u></u>
10.5.2 Write-offs of Rs.500,000 and above	10.6	413,592	834,700
Write-offs below Rs.500,000		204,106	265,715
Write-offs in subsidiaries	10.6	<u>43,666</u>	-
		<u><u>661,364</u></u>	<u><u>1,100,415</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, 2012 is given in Annexure 'B' to these consolidated financial statements. These loans are written off as a book entry without prejudice to the Group's right of recovery against the customers.

Due to disclosure restrictions in the local regulations of foreign subsidiaries, the names of parties written off cannot be disclosed.

	Note	2012 ----- (Rupees in '000) -----	2011
10.7 Particulars of loans and advances to executives, Directors, associated companies etc.			
Balance at the beginning of the year		1,838,324	1,619,550
Loans granted during the year		791,305	996,147
Repayments made during the year		<u>(339,192)</u>	<u>(777,373)</u>
Balance at end of the year		<u><u>2,290,437</u></u>	<u><u>1,838,324</u></u>

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	1,840,902	1,014,575
Property and equipment	11.2	24,173,651	23,218,456
Intangible assets	11.3	<u>1,446,286</u>	<u>1,512,184</u>
		<u><u>27,460,839</u></u>	<u><u>25,745,215</u></u>
11.1 Capital work-in-progress			
Civil works	11.1.1	1,006,716	649,665
Equipment		529,907	201,821
Software	11.1.2	294,475	140,515
Advances to suppliers and contractors		<u>9,804</u>	<u>22,574</u>
		<u><u>1,840,902</u></u>	<u><u>1,014,575</u></u>

11.1.1 This includes Rs.820.360 million (2011: Rs.519.317 million) in respect of construction of the Head Office building.

11.1.2 This includes Rs.110.125 million (2011: Rs.71.918 million) in respect of the Core Banking Software.

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11.2 Property and equipment

	Cost / Revaluation				2012				Net book value at December 31, 2012	Annual rate of depreciation %	
	At January 01, 2012	Additions / (deletions)	Surplus / (Deficit) on revaluation	Exchange / Other adjustments	At December 31, 2012	At January 01, 2012	Charge for the year / (depreciation on deletions)	Exchange / Other adjustments			At December 31, 2012
(Rupees in '000)											
Owned											
Freehold land	3,041,776	-	-	-	3,041,776	-	-	-	-	3,041,776	-
Leasehold land	11,782,784	25,121	-	107	11,808,012	292,822	-	92	292,914	11,515,098	-
Buildings on freehold land	3,091,338	60,873	(168,777)	361,585	3,345,019	267,089	57,033	33,470	357,592	2,987,426	2 - 5
Buildings on leasehold land	2,167,214	24,421	-	10,270	2,201,905	240,696	111,774	2,510	354,980	1,846,925	5 - 10
Leasehold improvements	1,936,497	259,141	-	48,846	2,244,484	748,436	205,264	24,197	977,897	1,266,587	10 - 20
Furniture and fixtures	1,117,890	137,198 (20,332)	-	18,851	1,253,607	666,612	95,041 (19,043)	16,790	759,400	494,208	10 - 25
Electrical, office and computer equipment	5,596,431	1,005,405 (98,923)	-	97,390	6,600,303	3,960,933	823,693 (97,228)	81,352	4,768,750	1,831,553	10 - 67
Vehicles	387,381	47,548 (36,235)	-	5,143	403,837	167,487	56,946 (29,324)	3,383	198,492	205,345	20 - 25
Assets held under operating lease											
Ijarah assets - note 11.8	732,087	892,403 (205,926)	-	(19,167)	1,399,397	290,867	268,648 (142,581)	-	416,934	982,463	20 - 33.33
Assets held under finance lease											
Vehicles	-	2,727	-	-	2,727	-	457	-	457	2,270	20
2012	29,853,398	2,454,837 (361,416)	- (168,777)	542,192 (19,167)	32,301,067	6,634,942	1,618,856 (288,176)	161,794 -	8,127,416	24,173,651	

	Cost / Revaluation				2011				Net book value at December 31, 2011	Annual rate of depreciation %	
	At January 01, 2011	Additions / (deletions)	Surplus / (Deficit) on revaluation	Exchange / Other adjustments	At December 31, 2011	At January 01, 2011	Charge for the year / (depreciation on deletions)	Exchange / Other adjustments			At December 31, 2011
(Rupees in '000)											
Owned											
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	121,398	3,091,338	181,790	49,818	35,481	267,089	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	451,278	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
Assets held under operating lease											
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
2011	27,993,636	1,774,817 (448,444)	329,495 -	203,894 -	29,853,398	5,587,777	1,329,813 (370,156)	87,624 (116)	6,634,942	23,218,456	

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11.3 Intangible assets

	Cost				2012 Accumulated Amortization				Net book value at December 31, 2012	Annual rate of amortization %
	At January 1, 2012	Additions / (deletions)	Exchange / other adjustments	At December 31, 2012	At January 1, 2012	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2012		
	(Rupees in '000)									
Software	2,622,485	342,075 (5,344)	13,196	2,972,412	1,110,301	409,491 (5,136)	11,470	1,526,126	1,446,286	10 - 33.33

	Cost				2011 Accumulated Amortization				Net book value at December 31, 2011	Annual rate of amortization %
	At January 1, 2011	Additions / (deletions)	Exchange / other adjustments	At December 31, 2011	At January 1, 2011	Charge for the year / (reversal on deletion)	Exchange / 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

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. Parsons 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 present market values and resulted in a surplus of Rs.4,139.592 million.

The properties of UNBL were revalued by independent professional valuers, RONA and Advance Surveyors Limited, as at December 31, 2012. These revaluations were based on present market values and resulted in a deficit of Rs.168.777 million.

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

	2012 ----- (Rupees in '000) -----	2011
Freehold land	1,484,906	1,484,906
Leasehold land	9,168,903	9,168,903
Buildings on freehold land	1,282,990	1,161,740
Buildings on leasehold land	1,398,032	1,491,367
11.5 Carrying amount of temporarily idle properties of the Group	<u>166,230</u>	<u>148,176</u>
11.6 The cost of fully depreciated assets still in use		
Furniture and fixtures	351,892	261,438
Electrical, office and computer equipment	2,720,420	2,375,511
Vehicles	72,408	67,694
	<u>3,144,720</u>	<u>2,704,643</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
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11.8 The Islamic Banking branches of the Group enter into Ijarah transactions with customers, mainly in respect of property, plant and equipment and vehicles.

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

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
Not later than one year		59,082	340,825
Later than one year but not later than five years		1,095,297	214,293
Later than five years		-	-
		<u>1,154,379</u>	<u>555,118</u>

12. DEFERRED TAX ASSET - NET

Deferred tax (liability) / asset - net	12.1	<u>(278,546)</u>	<u>1,991,667</u>
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12.1 Movement in temporary differences during the year

	2012			
	At January 1, 2012	Recognised in profit and loss account	Others	At December 31, 2012
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Workers' Welfare Fund	179,593	6,295	-	185,888
- Cash flow hedge reserve	33,383	-	(22,077)	11,306
- Provision against off balance sheet items, post retirement medical benefits and advances	6,388,190	476,057	62,684	6,926,931
	<u>6,601,166</u>	<u>482,352</u>	<u>40,607</u>	<u>7,124,125</u>
Taxable temporary differences on				
- Surplus on revaluation of investments	967,118	-	(2,731,728)	(1,764,610)
- Surplus on revaluation of fixed assets	(5,106,310)	36,046	(233)	(5,070,497)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(455,936)	(97,257)	-	(553,193)
	<u>(4,609,499)</u>	<u>(61,211)</u>	<u>(2,731,961)</u>	<u>(7,402,671)</u>
	<u>1,991,667</u>	<u>421,141</u>	<u>(2,691,354)</u>	<u>(278,546)</u>
	2011			
	At January 1, 2011	Recognised in profit and loss account	Others	At December 31, 2011
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Deficit on revaluation of investments	1,162,302	-	(195,184)	967,118
- 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	5,208,650	1,157,468	22,072	6,388,190
	<u>6,585,237</u>	<u>1,192,321</u>	<u>(209,274)</u>	<u>7,568,284</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,142,198)	36,033	(145)	(5,106,310)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(130,421)	(325,515)	-	(455,936)
	<u>(5,286,990)</u>	<u>(289,482)</u>	<u>(145)</u>	<u>(5,576,617)</u>
	<u>1,298,247</u>	<u>902,839</u>	<u>(209,419)</u>	<u>1,991,667</u>

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	Note	2012 ----- (Rupees in '000) -----	2011
13. OTHER ASSETS			
Income / mark-up accrued in local currency		11,482,395	11,599,915
Income / mark-up accrued in foreign currency		2,681,977	1,692,780
		14,164,372	13,292,695
Advance taxation - net of provision for taxation	13.1	5,877,007	3,115,568
Receivable from staff retirement funds		5,377	99,182
Receivable on account of encashment of savings certificates		14,586	18,892
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		842,483	817,422
Unrealized gain on forward foreign exchange contracts		1,083,718	1,673,778
Branch adjustment account		208,866	345,007
Unrealized gain on derivative financial instruments	20.3.1 & 24.2	489,131	394,924
Advance against Murabaha		17,531	31,039
Advance against Ijarah assets		110,382	3,722
Suspense accounts		455,821	355,220
Stationery and stamps on hand		211,031	162,521
Receivable against redemption of units of mutual funds		1,004,226	-
Non banking assets acquired in satisfaction of claims	13.3	1,953,721	1,454,389
Advances, deposits, advance rent and other prepayments		1,061,078	858,681
Advance against Pre-IPO investment		364,000	100,000
Others		1,801,016	1,994,123
		<u>29,682,379</u>	<u>24,735,196</u>
Provision held against other assets	13.2	<u>(3,575,994)</u>	<u>(2,777,829)</u>
Other assets (net of provisions)		<u>26,106,385</u>	<u>21,957,367</u>

13.1 The Income Tax returns of the Bank have been filed up to the tax year 2012 (accounting year ended December 31, 2011) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2012, and created additional tax demands of Rs.9,589 million, which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief, the Bank has filed appeals before higher appellate forums. The management of the Bank 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 up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.3,229 million (2011: Rs.3,200 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 (2011: Rs.4,114 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.

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The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2012 (financial year 2011) 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 have been filed up to the accounting year ended December 31, 2011 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For all subsidiaries, income tax returns have been filed up to the accounting year ended December 31, 2011 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, for UNBL and UBAG, tax clearance has been issued till the accounting years 2010 and 2011 respectively. There are no material tax contingencies in any of the subsidiaries.

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
13.2 Provision against other assets			
Opening balance		2,777,829	2,352,444
Exchange adjustments		99,960	40,183
		<u>2,877,789</u>	<u>2,392,627</u>
Charge for the year		213,940	148,979
Reversals		(23,321)	(59,044)
	30	190,619	89,935
Transfers in - net		739,139	363,782
Amounts written off		(231,553)	(68,515)
Closing balance		<u>3,575,994</u>	<u>2,777,829</u>
13.3			
The market value of non banking assets acquired in satisfaction of claims is Rs.1,913 million (2011: Rs.1,329 million).			
14. CONTINGENT ASSETS			
There were no contingent assets as at the statement of financial position date.			
15. BILLS PAYABLE			
In Pakistan		7,345,784	5,754,550
Outside Pakistan		254,849	124,493
		<u>7,600,633</u>	<u>5,879,043</u>
16. BORROWINGS			
In Pakistan		62,705,626	47,000,993
Outside Pakistan		4,509,583	2,954,711
		<u>67,215,209</u>	<u>49,955,704</u>
16.1 Particulars of borrowings			
In local currency		61,914,550	46,417,726
In foreign currencies		5,300,659	3,537,978
		<u>67,215,209</u>	<u>49,955,704</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2012 ----- (Rupees in '000) -----	2011
16.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.3	12,460,384	12,384,999
Scheme for revival of SMEs and Agricultural activities in flood affected areas		-	1,675
Refinance facility for modernization of SME	16.4	32,050	42,264
Long term financing facility	16.5	3,535,341	3,516,846
Long term financing under export oriented projects	16.6	822,015	1,410,276
		16,849,790	17,356,060
Repurchase agreement borrowings	16.7	45,064,760	28,241,667
		61,914,550	45,597,727
Unsecured			
Call borrowings	16.8	4,508,819	3,772,258
Overdrawn nostro accounts		764	7,497
Other borrowings	16.9	791,076	578,222
		5,300,659	4,357,977
		67,215,209	49,955,704

- 16.3** 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 2013. These carry mark-up at a rate of 8.50% per annum (2011: 10.00% per annum).
- 16.4** 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 at a rate of 8.00% per annum (2011: 8.00% per annum).
- 16.5** 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 at rates ranging from 6.50% to 10.10% per annum (2011: 6.50% to 11.00% per annum).
- 16.6** 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 carry mark-up at a rate of 5.00% per annum (2011: 5.00% per annum).
- 16.7** These repurchase agreement borrowings are secured against Market Treasury Bills and carry mark-up at rates ranging from 8.77% to 8.83% per annum (2011: 11.00% to 11.75% per annum). These borrowings are repayable latest by January 2013. The carrying value of securities given as collateral against these borrowings is given in note 9.1.
- 16.8** These are unsecured borrowings carrying mark-up at rates ranging from 0.53% to 4.00% per annum (2011: 0.35% to 13.15% per annum) and are repayable latest by April 2013.
- 16.9** These borrowings carry mark-up at the rates ranging from 1.00% to 1.73% (2011: 1.85% to 1.98%), and are repayable by June 2013.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	2012	2011
	----- (Rupees in '000) -----	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	237,103,473	185,703,454
Savings deposits	242,577,264	207,827,764
Sundry deposits	7,662,302	7,061,853
Margin deposits	4,066,910	4,069,691
Current accounts - remunerative	7,371,644	6,464,468
Current accounts - non-remunerative	238,283,495	208,228,448
	<u>737,065,088</u>	<u>619,355,678</u>
Financial Institutions		
Remunerative deposits	10,973,473	7,293,860
Non-remunerative deposits	7,225,703	8,147,086
	<u>18,199,176</u>	<u>15,440,946</u>
	<u>755,264,264</u>	<u>634,796,624</u>
17.1 Particulars of deposits and other accounts		
In local currency	505,586,180	467,515,651
In foreign currencies	249,678,084	167,280,973
	<u>755,264,264</u>	<u>634,796,624</u>

18. SUB-ORDINATED LOANS - UNSECURED

	Note	Issue Date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2012	2011
							----- (Rupees in '000) -----	
Term Finance Certificates - I		August 2004	8 years	8.45%	August 2012	Semi Annual	-	1,330,000
Term Finance Certificates - II	18.1	March 2005	8 years	9.49%	March 2013	Semi Annual	1,999,400	1,999,480
Term Finance Certificates - III	18.1	September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	1,330,664	1,996,000
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	February 2018	Semi Annual	5,989,200	5,991,600
							<u>9,319,264</u>	<u>11,317,080</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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of vehicles. At the end of the lease period, the ownership of the leased assets shall be transferred to the Group on payment of the residual values of the leased assets. The cost of operating and maintaining the leased assets is borne by the Group. The liabilities are secured by demand promissory notes, security deposits, and the vehicles which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 15.28%. The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2012		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	1,003	(229)	774
Later than one year and not later than five years	1,439	(104)	1,335
	<u>2,442</u>	<u>(333)</u>	<u>2,109</u>

As at December 31, 2012 the present value of minimum lease payments is Rs. 2.109 million.

	Note	2012		2011	
		----- (Rupees in '000) -----			
20. OTHER LIABILITIES					
Mark-up / return / interest payable in local currency		9,766,714		9,309,802	
Mark-up / return / interest payable in foreign currency		798,348		455,212	
Accrued expenses		3,060,379		2,431,976	
Payable against purchase of securities		51,031		-	
Payable under severance scheme		32,563		32,563	
Deferred income		551,260		39,871	
Unearned commission		294,291		163,103	
Provision against off - balance sheet obligations	20.1	630,717		629,736	
Unrealized loss on forward foreign exchange contracts		362,939		1,133,564	
Deferred liabilities	20.2	2,760,391		2,361,933	
Unrealised loss on derivative financial instruments	20.3.1 & 24.2	269,034		1,862,244	
Workers' Welfare Fund payable		535,756		514,621	
Insurance payable against consumer assets		82,134		132,393	
Others		480,449		268,673	
		<u>19,676,006</u>		<u>19,335,691</u>	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2012 ----- (Rupees in '000) -----	2011
20.1 Provision against off - balance sheet obligations			
Opening balance		629,736	677,989
Exchange adjustments		1,481	532
Charge during the year	30	249	4,144
Transfers during the year		(749)	(52,929)
		<u>630,717</u>	<u>629,736</u>
20.2 Deferred liabilities			
Provision for post retirement medical benefits	37.1.4	1,114,855	1,139,591
Deferred liability for outsourced services		464,242	379,600
Provision for compensated absences	37.1.4	1,067,421	825,137
Provision for pension	37.2.1	113,873	17,605
		<u>2,760,391</u>	<u>2,361,933</u>
20.3 Unrealized gain / (loss) on derivative financial instruments			
	Note	Contract / Notional amount 2012 2011 ----- (Rupees in '000) -----	Unrealised gain / (loss) 2012 2011 ----- (Rupees in '000) -----
- Interest rate swaps		8,059,417 8,444,451	135,799 44,192
- Cross currency swaps		12,490,616 35,041,839	83,494 (1,511,512)
- Fx options		74,468 -	- -
- Forward sale contracts of government securities		308,867 -	803 -
- Commodity futures		489 -	1 -
20.3.1		<u>20,933,857</u> <u>43,486,290</u>	<u>220,097</u> <u>(1,467,320)</u>
20.3.1 Unrealized gain / (loss) on derivative financial instruments - net	Note	2012 ----- (Rupees in '000) -----	2011
Unrealized gain on derivative financial instruments	13	489,131	394,924
Unrealized loss on derivative financial instruments	20	(269,034)	(1,862,244)
	24.2	<u>220,097</u>	<u>(1,467,320)</u>
21. SHARE CAPITAL			
21.1 Authorized Capital			
		2012 2011 ----- Number of shares -----	2012 2011 ----- (Rupees in '000) -----
		<u>2,000,000,000</u> <u>2,000,000,000</u>	<u>20,000,000</u> <u>20,000,000</u>
		Ordinary shares of Rs.10 each	

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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21.2 Issued, subscribed and paid-up capital

2012	2011		2012	2011
----- Number of shares -----			----- (Rupees in '000) -----	
		Fully paid-up ordinary shares of Rs.10 each		
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>

21.3 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, 2012, 15,286,868 (2011: 19,587,958) GDRs, representing 61,147,474 (2011: 78,351,834) shares were in issue.

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

Name of shareholders	2012		2011	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	467,611,120	38.20%	467,611,120	38.20%
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%	67,329,867	5.50%
Sir Mohammed Anwar Pervez, OBE, HPk	62,433,163	5.10%	62,433,163	5.10%

As at December 31, 2012, ADG held 10.30% (2011: 10.30%) shareholding (including GDRs) and the Bestway Group (Bestway) held 51.07% (2011: 51.07%) shareholding of the Bank.

	Note	2012	2011
		----- (Rupees in '000) -----	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets			
- Group's share		10,947,713	11,016,498
- Non-controlling interest		563,051	564,912
	22.1	11,510,764	11,581,410
Securities			
- Group's share		3,541,845	(1,829,181)
- Non-controlling interest		216,578	(30,464)
	22.2	3,758,423	(1,859,645)
Deficit arising on revaluation of assets of associates		(14,164)	(70,915)
		<u>15,255,023</u>	<u>9,650,850</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2012 ----- (Rupees in '000) -----	2011
22.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		16,687,720	16,394,246
Revaluation of fixed assets during the year		(168,777)	329,495
Exchange adjustments		167,723	70,011
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(69,359)	(69,999)
Related deferred tax liability on incremental depreciation charged during the year	12.1	(36,046)	(36,033)
		<u>(106,459)</u>	<u>293,474</u>
		16,581,261	16,687,720
Less: Related deferred tax liability on			
Revaluation as on January 1		5,106,310	5,142,198
Exchange adjustments		233	145
Incremental depreciation charged on related assets	12.1	(36,046)	(36,033)
		<u>5,070,497</u>	<u>5,106,310</u>
		<u>11,510,764</u>	<u>11,581,410</u>
22.2 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		626,591	129,358
Pakistan Investment Bonds		2,692,613	(714,954)
Listed shares		368,507	(551,038)
Mutual fund units		(1,875)	(34,323)
Term Finance Certificates, Sukuks, other bonds etc.		109,937	36,224
Foreign bonds		1,727,260	(1,692,030)
		5,523,033	(2,826,763)
Related deferred tax (liability) / asset	12.1	(1,764,610)	967,118
		<u>3,758,423</u>	<u>(1,859,645)</u>
23. CONTINGENCIES AND COMMITMENTS			
23.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		2,631,890	2,436,053
Banking companies and other financial institutions		4,921,308	4,786,121
Others		3,063,407	2,537,724
		<u>10,616,605</u>	<u>9,759,898</u>
23.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		75,352,238	78,652,267
Banking companies and other financial institutions		4,559,713	2,788,949
Others		20,091,896	19,930,066
		<u>100,003,847</u>	<u>101,371,282</u>
23.3 Trade-related contingent liabilities			
Contingent liabilities in respect of letters of credit opened favouring			
Government		54,620,793	37,415,189
Banking companies and other financial institutions		4,455,647	2,620,900
Others		91,944,043	85,701,700
		<u>151,020,483</u>	<u>125,737,789</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	2012	2011
	----- (Rupees in '000) -----	
23.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>23,823,493</u>	<u>22,218,847</u>
23.5 Commitments to extend credit		
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.		
23.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>141,981,927</u>	<u>142,678,300</u>
Sale	<u>112,686,309</u>	<u>100,302,537</u>
23.7 Commitments in respect of derivatives		
Interest rate swaps	<u>8,059,417</u>	<u>8,444,451</u>
Cross currency swaps	<u>12,490,616</u>	<u>35,041,839</u>
FX Options - purchased	<u>37,234</u>	<u>-</u>
FX Options - sold	<u>37,234</u>	<u>-</u>
Forward sale of government securities	<u>308,867</u>	<u>-</u>
Commodity futures	<u>489</u>	<u>-</u>
23.8 Commitments in respect of capital expenditure	<u>2,150,282</u>	<u>1,082,145</u>

23.9 For contingencies relating to taxation refer note 13.1

24. DERIVATIVE INSTRUMENTS

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 and offers a wide variety of derivatives products covering both hedging and market making to satisfy customers' needs. Where required, specific approval is sought from the SBP for each transaction:

The authority for approving policies lies with the Board of Directors (BoD) and the Board Risk Management Committee (BRMC). The Market Risk Committee (MRC) is responsible for ensuring compliance with these policies.

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. Measurement and monitoring of market and credit risk exposure and limits and its reporting to the senior management and the BoD is done by Treasury Middle Office (TMO), 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.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****Derivatives risk management**

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

Credit risk

Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Group's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the Credit Committee. The credit exposure of each counterparty is estimated and monitored by Treasury Middle Office on a daily basis.

Market risk

The Group, as a policy, hedges back-to-back all Options transactions. In addition, the Group 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 Group 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 Group 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 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 a 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 Group's Audit and Inspection Group also reviews this function, which covers regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Group 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 on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile containing outstanding positions, profitability, risk exposures and the status of compliance with limits.

Commodity price risk

Commodity price risk is the risk that the fair value of future cashflows from commodities transactions will fluctuate because of changes in market prices (other than those arising from profit risk or currency risk) whether those changes are caused by factors specific to the individual commodity or by factors affecting similar commodities traded in the market.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
24.1 Product analysis

		2012										
		Interest rate swaps		Cross currency swaps		FX options		Forward sale contracts of government securities		Commodity futures		
		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)	Number of contracts	Notional principal (Rupees in '000)	Total Notional (Rupees in '000)
With Banks for												
Hedging		4	3,444,084	3	9,546,350	4	37,234	-	-	-	-	13,027,668
Market making		2	1,291,449	1	2,365,750	-	-	-	-	-	-	3,657,199
		6	4,735,533	4	11,912,100	4	37,234	-	-	-	-	16,684,867
With other entities												
Market making		4	3,323,884	6	578,516	4	37,234	1	308,867	3	489	4,248,990
Total												
Hedging		4	3,444,084	3	9,546,350	4	37,234	-	-	-	-	13,027,668
Market making		6	4,615,333	7	2,944,266	4	37,234	1	308,867	3	489	7,906,189
		10	8,059,417	10	12,490,616	8	74,468	1	308,867	3	489	20,933,857
		2011										
		Interest rate swaps		Cross currency swaps		FX options		Forward sale contracts of government securities		Commodity futures		
		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)	Number of contracts	Notional principal (Rupees in '000)	Total Notional (Rupees in '000)
With Banks for												
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
		7	5,058,901	5	17,464,950	-	-	-	-	-	-	22,523,851
With other entities												
Market making		4	3,385,550	9	17,576,889	-	-	-	-	-	-	20,962,439
Total												
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
		11	8,444,451	14	35,041,839	-	-	-	-	-	-	43,486,290

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
24.2 Maturity analysis of derivatives

Remaining maturity	2012				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	1	308,867	-	12,565	12,565
1 to 3 months	4	22,489	-	1	1
3 to 6 months	12	459,584	(343)	-	(343)
6 months to 1 year	3	4,365,750	(72,511)	45,841	(26,670)
1 to 2 years	2	3,861,950	(4,675)	41	(4,634)
2 to 3 Years	2	5,855,800	(1,388)	93,967	92,579
3 to 5 years	2	582,898	(14,754)	15,265	511
5 to 10 years	6	5,476,519	(175,363)	321,451	146,088
Above 10 years	-	-	-	-	-
	<u>32</u>	<u>20,933,857</u>	<u>(269,034)</u>	<u>489,131</u>	<u>220,097</u>

Remaining maturity	2011				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (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>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
	----- (Rupees in '000) -----	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	38,780,390	39,887,665
On lendings to financial institutions		
Call money lending	11,599	28,593
Securities purchased under resale agreements	330,322	498,919
Advances to financial institutions	483,901	339,060
	825,822	866,572
On investments in		
Held for trading securities	829,522	1,348,322
Available for sale securities	23,102,020	15,842,167
Held to maturity securities	11,555,922	13,248,414
	35,487,464	30,438,903
On deposits with financial institutions	286,185	183,703
	75,379,861	71,376,843
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	28,381,438	23,997,474
On securities sold under repurchase agreements	3,836,423	3,157,294
On other short term borrowings	2,319,363	2,650,792
On long term borrowings	1,199,761	1,499,496
	35,736,985	31,305,056
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	176,751	184,128
Pakistan Investment Bonds	40,845	(2,617)
	217,596	181,511
Ordinary shares of		
Listed companies	435,338	171,962
Unlisted companies	17,078	-
	452,416	171,962
Other securities	589,464	124,695
	1,259,476	478,168
28. OTHER INCOME		
Charges recovered	585,675	622,286
Grant income	284,427	106,969
Rent on properties	161,057	178,427
Income from dealing in derivatives	2,965,657	1,563,446
Gain on sale of operating fixed assets	26,370	37,488
Loss on trading liabilities - net	(2,397)	(3,712)
Loss on sale of non-banking asset	-	(52,116)
	4,020,789	2,452,788

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Note	2012 ----- (Rupees in '000) -----	2011
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.	29.1	9,765,834	8,574,924
Charge for compensated absences	37.1.8	548,507	423,268
Medical expenses		442,961	400,821
Contribution to defined contribution plan		233,063	198,702
Charge / (reversal) in respect of defined benefit obligations		12,148	(192,948)
Rent, taxes, insurance, electricity etc.		3,175,165	2,611,209
Outsourced service charges including sales commission		2,274,518	1,722,818
Advertisement and publicity		674,873	608,484
Communications		1,024,338	832,158
Depreciation	11.2	1,618,856	1,329,813
Legal and professional charges		385,012	258,469
Banking service charges		883,852	753,588
Stationery and printing		533,634	431,799
Travelling		287,868	262,652
Cash transportation charges		402,064	318,585
Repairs and maintenance		1,166,087	1,034,376
Insurance expense		141,242	159,190
Vehicle expense		181,965	152,417
Amortization	11.3	409,491	304,526
Training and seminars		116,239	63,158
Office running expense		410,611	330,666
Entertainment		158,742	131,670
Cartage, freight and conveyance		95,907	84,140
Auditors' remuneration	29.3	77,938	71,880
Subscriptions		68,322	56,499
Brokerage expenses		28,134	30,039
Donations	29.2	35,136	53,944
Non-executive Directors' fees		34,133	34,553
Zakat paid by overseas branch		84,803	71,141
Miscellaneous expenses		177,470	140,963
		25,448,913	21,253,504

29.1 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.1,081.039 million (2011: Rs.820.589 million).

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
29.2 Donations exceeding Rs.0.1 million			
Institute of Business Administration		20,000	10,000
Hisaar Foundation		3,060	-
The Kidney Center Post Graduate Training Institute (TKCI)		2,700	2,850
Friends of Burns Centre		1,296	2,160
Al-Mehrab Tibbi Imdad		1,000	-
The Citizens Foundation		1,000	-
Marie Adelaide Leprosy Centre		850	850
Lahore University of Management Sciences		500	500
Kaghan Memorial Trust		500	-
Mukhtar Mai Women's Organization		500	-
Subh-e-Nau		500	-
Pakistan Foundation Fighting Blindness		500	-
SOS Children's Villages of Pakistan		450	736
Sindh Welfare Association of the Deaf		324	-
Naseer Construction Co. (Renovation of courts)		277	-
Children Welfare Society		200	500
Sindh Institute of Urology and Transplantation (SIUT)		200	75
Sargodian Spirit Trust		200	-
Drug Free Pakistan Foundation		200	-
The Oxford and Cambridge Society Karachi		165	-
Karwan-e-Hayat		150	-
Karachi Education Initiative		-	20,000
Prime Minister's Relief Fund		-	10,000
Civil Hospital Karachi		-	2,000
Medical Aid Foundation		-	1,000
Memon Medical Institute		-	1,000
Family Education Services Foundation		-	900
The Book Group		-	437
Khorfakkan Club		-	235
Thardeep Rural Development Program (TDRP)		-	200
Donations not exceeding Rs.0.1 million - others		<u>564</u>	<u>501</u>
		<u>35,136</u>	<u>53,944</u>

29.2.1 Donations were not made to any donee in which a Director or his spouse had any interest.

29.3 Auditors' remuneration

	2012			Total
	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.	Overseas Auditors	
	----- (Rupees in '000) -----			
Audit fee - Bank	6,455	6,455	30,522	43,432
Audit fee - subsidiaries	-	425	19,558	19,983
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	2,105	2,075	4,210	8,390
Out of pocket expenses	3,143	2,723	17	5,883
	<u>11,953</u>	<u>11,678</u>	<u>54,307</u>	<u>77,938</u>
	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	18,060	18,460
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	2,835	1,700	2,148	6,683
Out of pocket expenses	2,269	2,226	20	4,515
	<u>11,809</u>	<u>10,781</u>	<u>49,290</u>	<u>71,880</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Note	2012 ----- (Rupees in '000) -----	2011
30. OTHER PROVISIONS - Net			
Provision against other assets - net	13.2	190,619	89,935
Provision against off - balance sheet obligations	20.1	249	4,144
Impairment on non-banking asset		147,994	-
Other provisions		137,834	105,986
Provision / (reversal) against Ijarah Assets - Specific		12,485	(3,261)
Provision / (reversal) against Ijarah Assets - General		141	(1,923)
		<u>489,322</u>	<u>194,881</u>

31. 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.

32. OTHER CHARGES

Penalties imposed by the SBP	102,964	104,326
Other penalties	998	613
	<u>103,962</u>	<u>104,939</u>

	2012			
	Overseas	Azad Kashmir	Domestic	Total
33. TAXATION	----- (Rupees in '000) -----			
Current	1,321,121	158,000	7,582,750	9,061,871
Prior years	489,602	-	330	489,932
Deferred	(448,015)	1,442	25,432	(421,141)
	<u>1,362,708</u>	<u>159,442</u>	<u>7,608,512</u>	<u>9,130,662</u>

	2011			
	Overseas	Azad Kashmir	Domestic	Total
	----- (Rupees in '000) -----			
Current	1,020,019	-	7,947,784	8,967,802
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>8,746,523</u>

	2012 ----- (Rupees in '000) -----	2011
33.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>28,410,446</u>	<u>23,633,636</u>
Tax on income @ 35% (2011: @ 35%)	9,943,656	8,271,773
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	(497,681)	(163,059)
Prior years tax charge	489,932	681,560
Others	(812,087)	(43,750)
Tax charge	<u>9,123,820</u>	<u>8,746,524</u>

34. EARNINGS PER SHARE

Profit after tax attributable to equity shareholders of the Bank	<u>19,227,848</u>	<u>14,854,785</u>
	----- (Number of shares) -----	
Weighted average number of ordinary shares	<u>1,224,179,687</u>	<u>1,224,179,687</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>15.71</u>	<u>12.13</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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34.1 Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue at December 31, 2012 or 2011.

	Note	2012 ----- (Rupees in '000) -----	2011
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	94,766,489	86,309,061
Balances with other banks	7	22,843,080	16,579,821
		117,609,569	102,888,882
36. STAFF STRENGTH			
		----- (Number) -----	
Permanent		9,282	8,975
Contractual basis		90	73
Group's own staff strength at the end of the year		9,372	9,048
Outsourced		3,972	3,515
Total number of employees at the end of the year		13,344	12,563

37. DEFINED BENEFIT PLANS
37.1 The Bank
37.1.1 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, 2012.

37.1.2 Number of employees under the scheme

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

	2012 ----- (Number) -----	2011
- Pension fund	7,348	7,604
- Gratuity fund	6,645	5,760
- Benevolent fund	6,386	7,064
- Employee compensated absences	3,641	4,102
- Post retirement medical benefit scheme	7,823	8,160

The pension fund, benevolent fund and post retirement medical benefit schemes include 5,349 (2011: 5,374), 2,745 (2011: 2,833) and 4,182 (2011: 3,979) members respectively who have retired or whose widows are receiving the benefits.

37.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2012, using the following significant assumptions:

	2012 ----- Per annum -----	2011
Discount rate	12.00%	13.00%
Expected rate of return on plan assets	12.00%	13.00%
Expected rate of salary increase	10.00%	8.00%
Expected rate of pension increase	4.25%	5.25%

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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37.1.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	2012					2011				
	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	3,537,429	523,053	409,721	-	-	3,671,958	472,157	424,851	-	-
Fair value of plan assets	(5,137,979)	(409,974)	(836,962)	-	-	(5,477,630)	(381,841)	(827,840)	-	-
	(1,600,550)	113,079	(427,241)	-	-	(1,805,672)	90,316	(402,989)	-	-
Present value of unfunded obligations	-	-	-	943,927	1,067,421	-	-	-	831,508	825,137
Net actuarial gains or (losses) not recognized (Receivable) / payable	1,600,550	(118,456)	123,649	170,928	-	1,748,936	(95,098)	149,817	308,083	-
	-	(5,377)	(303,592)	1,114,855	1,067,421	(56,736)	(4,782)	(253,172)	1,139,591	825,137

37.1.5 Movement in defined benefit obligations

Note	2012					2011				
	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	3,671,958	472,157	424,851	831,508	825,137	3,598,231	417,733	420,778	826,088	677,152
Current service cost	10,431	58,356	5,779	5,008	46,581	9,859	53,870	5,063	5,494	44,394
Interest cost	155,593	61,107	49,198	108,422	96,143	170,066	60,966	54,441	120,181	92,237
Benefits paid by the Bank	(610,815)	(93,440)	(84,794)	(106,033)	(306,223)	(412,233)	(60,087)	(79,180)	(96,835)	(275,283)
Recognition of prior service cost	-	-	-	-	236,235	-	-	-	-	158,412
Return allocated to other funds	284,869	-	-	-	-	302,709	-	-	-	-
Actuarial (gain) / loss on obligations	25,393	24,873	14,687	105,022	169,548	3,326	(325)	23,749	(23,420)	128,225
Obligation at the end of the year	3,537,429	523,053	409,721	943,927	1,067,421	3,671,958	472,157	424,851	831,508	825,137

37.1.6 Movement in fair value of plan assets

Note	2012					2011				
	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	5,477,630	381,841	827,840	-	-	5,527,239	325,781	799,917	-	-
Expected return on plan assets	651,709	50,375	97,571	-	-	721,974	48,929	104,336	-	-
Contribution by the Bank	-	79,253	4,618	-	-	-	74,545	5,096	-	-
Contribution by the employees	-	-	4,618	-	-	-	-	5,096	-	-
Amount paid by the fund to the Bank	(1,020,452)	(98,284)	(94,751)	-	-	(771,758)	(66,421)	(76,885)	-	-
Actuarial gain / (loss) on plan assets	29,092	(3,211)	(2,934)	-	-	175	(993)	(9,720)	-	-
Fair value at the end of the year	5,137,979	409,974	836,962	-	-	5,477,630	381,841	827,840	-	-

37.1.7 Movement in (receivable) / payable under defined benefit schemes

Note	2012					2011				
	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	(56,735)	(4,783)	(253,172)	1,139,591	825,137	(3,592)	(8,185)	(180,783)	1,139,616	677,152
Mark-up receivable on Bank's balance with the fund	(1,939)	(61)	(168)	-	-	(1,742)	(130)	(274)	-	-
(Reversal) / charge for the year	(350,963)	73,876	(55,591)	81,297	548,507	(410,926)	71,743	(64,724)	96,810	423,268
Contribution by the Bank	-	(79,253)	(4,618)	-	-	-	(74,545)	(5,096)	-	-
Contribution by the employees	-	-	4,618	-	-	-	-	5,096	-	-
Amount paid by the Fund to the Bank	1,020,452	98,284	94,751	-	-	771,758	66,421	76,885	-	-
Benefits paid by the Bank	(610,815)	(93,440)	(84,794)	(106,033)	(306,223)	(412,233)	(60,087)	(79,180)	(96,835)	(275,283)
Closing balance	-	(5,377)	(303,592)	1,114,855	1,067,421	(56,735)	(4,783)	(253,172)	1,139,591	825,137

37.1.8 Charge for defined benefit plans

Note	2012					2011				
	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	10,431	58,356	5,779	5,008	46,581	9,859	53,870	5,063	5,494	44,394
Interest cost	155,593	61,107	49,198	108,422	96,143	170,066	60,966	54,441	120,181	92,237
Expected return on plan assets	(651,709)	(50,375)	(97,571)	-	-	(721,974)	(48,929)	(104,336)	-	-
Recognition of prior service cost	-	-	-	-	236,235	-	-	-	-	158,412
Actuarial (gains) / losses	(150,147)	4,788	(8,379)	(32,133)	169,548	(171,586)	5,836	(14,796)	(28,865)	128,225
Return allocated to other funds	284,869	-	-	-	-	302,709	-	-	-	-
Employees' contribution	-	-	(4,618)	-	-	-	-	(5,096)	-	-
	(350,963)	73,876	(55,591)	81,297	548,507	(410,926)	71,743	(64,724)	96,810	423,268

37.1.8.1 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.

37.1.9 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	2012					2011				
	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	651,709	50,375	97,571	-	-	721,974	48,929	104,336	-	-
Actuarial gain / (loss) on plan assets	29,092	(3,211)	(2,934)	-	-	175	(993)	(9,720)	-	-
Actual return on plan assets	680,801	47,164	94,637	-	-	722,149	47,936	94,616	-	-

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

Pension Fund	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
Present value of defined benefit obligations	(3,537,429)	(3,671,958)	(3,598,231)	(3,585,208)	(3,625,280)
Fair value of plan assets	5,137,979	5,477,630	5,527,239	6,107,212	6,526,828
Surplus	1,600,550	1,805,672	1,929,008	2,522,004	2,901,548
Experience adjustments on plan liabilities [loss / (gain)]	11,271	(13,450)	(214,828)	89,216	(87,141)
Experience adjustments on plan assets [loss / (gain)]	(29,096)	23,879	57,726	(282,376)	(1,195)
Gratuity Fund					
Present value of defined benefit obligations	(523,053)	(472,157)	(417,733)	(365,292)	(384,786)
Fair value of plan assets	409,974	381,841	325,781	301,174	291,292
Deficit	(113,079)	(90,316)	(91,952)	(64,118)	(93,494)
Experience adjustments on plan liabilities [loss / (gain)]	(28,098)	(4,001)	36,338	137,106	43,905
Experience adjustments on plan assets [loss / (gain)]	3,602	8,063	6,400	96,896	55,290
Benevolent Fund					
Present value of defined benefit obligations	(409,721)	(424,851)	(420,778)	(459,080)	(529,647)
Fair value of plan assets	836,962	827,840	799,917	796,302	739,180
Surplus	427,241	379,139	379,139	337,222	209,533
Experience adjustments on plan liabilities [loss / (gain)]	(4,034)	4,886	1,505	(8,798)	138,712
Experience adjustments on plan assets [loss / (gain)]	1,473	20,826	2,737	(56,670)	144,550
Post retirement medical benefit					
Present value of defined benefit obligations	(943,927)	(831,508)	(826,088)	(852,603)	(875,509)
Experience adjustments on plan liabilities [loss / (gain)]	99,652	(34,740)	(26,232)	37,473	761
Employee compensated absences					
Present value of defined benefit obligations	1,067,421	825,137	677,152	731,908	613,602

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

The annual medical expense entitlement is based on the 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.

37.1.12 Components of plan assets as a percentage of total plan assets

	2012			2011		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
Government securities	86.69%	95.00%	94.27%	89.02%	98.00%	96.47%
Units of mutual funds	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ordinary shares of listed companies	1.15%	0.89%	1.24%	0.68%	0.60%	1.23%
Term finance certificates	10.72%	3.36%	1.84%	10.27%	0.69%	2.29%
Others (including bank balances)	1.44%	0.75%	2.65%	0.03%	0.71%	0.01%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

As per actuarial recommendations, the expected return on plan assets was assumed at 12% 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.

37.1.13 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, 2013, subject to the provisions of the Trust Deeds, would be as follows:

	2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
	----- (Rupees in '000) -----				
Expected (reversal) / charge for the year	(170,393)	80,064	(46,697)	118,736	367,096

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
37.2 United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.

As part of the Shareholders' Agreement ("the Agreement") signed on November 9, 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 upto the Completion Date.

Full actuarial valuations using the Projected Unit Credit Method are obtained triennially and updated at each statement of financial position date.

The last full actuarial valuation of the scheme was carried out at January 1, 2011 by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2012 are as follows:

	2012	2011
	----- Per annum -----	
Discount rate	4.10%	4.70%
Rate of revaluation of pension in deferment	2.20%	2.50%
Expected rate of salary increase	0.00%	0.00%
Expected rate of pension increase	3.00%	3.00%
Price inflation	2.70%	2.90%

37.2.1 The assets and liabilities of the scheme noted below relate to those employees for whom UNBL has a funding liability.

	2012		2011	
	Return	(Rupees '000)	Return	(Rupees '000)
Insurance policy	3.80%	614,288	4.00%	583,312
Market value of assets		614,288		583,312
Actuarial value of liability		(764,130)		(607,016)
Gross pension liability		(149,842)		(23,704)
Related deferred tax relief		35,969		6,099
Net pension liability		<u>(113,873)</u>		<u>(17,605)</u>

37.2.2 Movement in surplus / (deficit) during the year

	2012	2011
	----- (Rupees in '000) -----	
Obligation at the beginning of the year	(23,704)	(97,953)
Interest expense	(5,476)	(5,540)
Actuarial losses	(117,239)	84,142
Exchange adjustment	(3,423)	(4,353)
Deficit in scheme at the end of the year	(149,842)	(23,704)
Related deferred tax relief	35,969	6,099
Obligation at the end of the year	<u>(113,873)</u>	<u>(17,605)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2012.

37.2.3 Analysis of the amount credited / (debited) to net interest income

	2012	2011
	----- (Rupees in '000) -----	
Expected return on pension scheme assets	24,567	28,806
Interest on pension scheme liabilities	(30,043)	(34,346)
Net return	<u>(5,476)</u>	<u>(5,540)</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
37.3 UBL Fund Managers Limited
37.3.1 Principal actuarial assumptions

UFML operates a funded gratuity scheme. The liability of UFML in respect of this scheme is determined based on an annual actuarial valuation carried out using the Projected Unit Credit Method. The latest valuation was carried out as at December 31, 2012. The main assumptions used in the actuarial valuation are as follows:

	2012	2011
	----- Per annum -----	
Discount rate	12.00%	13.00%
Expected rate of return on plan assets	12.00%	13.00%
Expected rate of salary increase	12.00%	13.00%

37.3.2 Reconciliation of payable to defined benefit plan

	2012	2011
	----- (Rupees in '000) -----	
Present value of defined benefit obligations	33,565	24,330
Fair value of plan assets	(25,225)	(16,295)
	<u>8,340</u>	<u>8,035</u>
Net actuarial losses not recognized	<u>(1,767)</u>	<u>(1,438)</u>
	<u><u>6,573</u></u>	<u><u>6,597</u></u>

37.3.3 Movement in defined benefit obligation

Obligation at the beginning of the year	24,330	19,776
Current service cost	5,573	5,408
Interest cost	3,441	3,196
Benefits paid	(2,381)	(3,431)
Actuarial losses / (gains)	2,602	(619)
Obligation at the end of the year	<u><u>33,565</u></u>	<u><u>24,330</u></u>

37.3.4 Movement in the fair value of plan assets

Fair value of plan assets at the beginning of the year	16,295	11,620
Expected return on plan assets	2,441	2,062
Contributions to the plan	6,597	5,408
Benefits paid	(2,381)	(3,431)
Actuarial gains	2,273	636
	<u><u>25,225</u></u>	<u><u>16,295</u></u>

37.3.5 Composition of plan assets

Debt securities	16,250	12,084
Cash	497	529
Equity securities	6,387	3,424
Others	2,091	258
	<u><u>25,225</u></u>	<u><u>16,295</u></u>

37.3.6 Charge for defined benefit plan

Current service cost	5,573	5,408
Interest cost	3,441	3,196
Expected return on plan assets	(2,441)	(2,062)
Amortization of loss	-	55
	<u><u>6,573</u></u>	<u><u>6,597</u></u>
Actual return on plan assets	<u><u>4,714</u></u>	<u><u>2,701</u></u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	2012	2011
	----- (Rupees in '000) -----	
37.3.7 Movement in net liability recognised		
Opening net asset	6,597	5,408
Expense recognised	6,573	6,597
Contribution to the fund made during the year	(6,597)	(5,408)
Closing net assets	<u>6,573</u>	<u>6,597</u>

38 OTHER EMPLOYEE BENEFITS
38.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 6,645 (2011: 5,438) 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.

UFML operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

38.2 Employee Motivation and Retention Scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs.290.612 million (2011: Rs.170.563 million) and Rs.30.796 million (2011: Rs.24.528 million) were received by the Executives and the Chief Executive respectively from the scheme.

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 of UFML 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.

38.3 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.583 million (2011: Rs.114 million), profit before taxation would have been lower by Rs.583 million (2011: Rs.114 million), unappropriated profit would have been lower by Rs.1,279 million (2011: Rs.696 million) and reserves would have been higher by Rs.1,279 million (2011: Rs.696 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs.0.48 per share (2011: Rs.0.09 per share).

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- (Rupees in '000) -----					
Fees	-	-	34,133	34,553	10,463	11,021
Managerial remuneration	83,526	67,783	-	-	4,004,889	3,405,377
Charge for defined benefit plan	1,457	1,243	-	-	389,721	198,123
Charge for defined contribution plan	2,263	2,030	-	-	124,252	104,804
Rent and house maintenance	3,607	3,623	-	-	467,422	462,352
Utilities	847	901	-	-	226,678	203,840
Medical	21	234	-	-	109,134	99,678
Conveyance	-	-	-	-	324,243	334,846
Others	6,203	6,510	-	-	262,749	238,169
	<u>97,924</u>	<u>82,324</u>	<u>34,133</u>	<u>34,553</u>	<u>5,919,551</u>	<u>5,058,210</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>1,583</u>	<u>1,478</u>

The Bank's President / Chief Executive Officer and certain Executives are provided with free use of Bank 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 37 and 38 to these financial statements.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
40. 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 investment in 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.

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the year ended December 31, 2012							
Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination	
(Rupees in '000)							
Total income	246,954	12,018,632	35,111,389	9,112,308	725,977	2,020,106	-
Total expenses	(371,504)	(798,262)	(21,465,025)	(6,768,940)	(455,237)	(965,952)	-
Profit before tax	(124,550)	11,220,370	13,646,364	2,343,368	270,740	1,054,154	-
Segment return on assets (ROA)	-7.7%	1.9%	1.5%	0.5%	32.8%	-	-
Segment cost of funds	0.8%	7.7%	4.1%	7.7%	-	-	-

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	6,415,659	35,427,748	9,380,733	456,060	826,109	-
Total expenses	(266,567)	(2,732,665)	(20,666,863)	(4,972,872)	(380,077)	(323,765)	-
Profit before tax	203,569	3,682,994	14,760,885	4,407,861	75,983	502,344	-
Segment return on assets (ROA)	2.8%	0.7%	1.7%	0.9%	11.6%	-	-
Segment cost of funds	0.3%	7.9%	4.1%	7.3%	-	-	-

As at December 31, 2012							
Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination	
(Rupees in '000)							
Segment assets (gross of NPLs provisions)	1,433,174	450,699,629	682,889,811	340,638,365	737,335	80,707,321	(553,297,871)
Segment non performing loans (NPLs)	1,016,151	2,122,695	26,368,364	28,742,837	-	200,110	-
Segment provision held against NPLs	441,892	1,520,078	20,786,315	20,788,911	-	60,153	-
Segment liabilities	1,069,695	404,871,830	685,606,034	307,240,127	108,937	13,757,279	(553,297,871)

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 NPLs provisions)	1,890,059	369,758,640	655,385,488	300,157,520	571,264	78,720,876	(559,311,497)
Segment non performing loans (NPLs)	616,212	2,158,898	25,362,325	22,993,582	-	13,153	-
Segment provision held against NPLs	149,404	1,674,325	21,006,891	17,123,789	-	13,153	-
Segment liabilities	1,606,252	367,973,014	619,097,566	276,966,686	64,977	14,887,144	(559,311,497)

Segment assets and liabilities include inter segment balances.

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

42. 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.

43. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its Directors and executive officers (including their associates).

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 executives / officers 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, 2012**
43.1. RELATED PARTY TRANSACTIONS

	2012				2011			
	Directors	Key management	Associates	Other related parties	Directors	Key management	Associates	Other related parties
(Rupees in '000)								
Balances with other banks								
In current accounts	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	773,770	-	-	-	500,006
	-	-	-	773,770	-	-	-	500,006
Investments								
Opening balance	-	-	16,282,680	308,803	-	-	7,666,215	361,441
Transfer in	-	-	200,000	-	-	-	-	-
Investment made during the year	-	-	2,927,737	193,224	-	-	14,084,604	-
Investment redeemed / disposed off during the year	-	-	(7,170,646)	(76,569)	-	-	(4,799,140)	(52,638)
Equity method adjustments	-	-	396,018	-	-	-	(668,999)	-
Closing balance	-	-	12,635,789	425,458	-	-	16,282,680	308,803
Provision for diminution in value of investments	-	-	-	48,158	-	-	-	58,259
Advances								
Opening balance	871	236,603	-	-	969	141,762	-	-
Addition during the year	-	143,016	-	-	-	153,351	-	-
Repaid during the year	(871)	(129,914)	-	-	(98)	(58,510)	-	-
Closing balance	-	249,705	-	-	871	236,603	-	-
Other Assets								
Interest mark-up accrued	-	4,997	-	4,277	11	1,934	-	6,722
Receivable from staff retirement funds	-	-	-	5,377	-	-	-	99,182
Prepaid insurance	-	-	16	-	-	-	809	-
Remuneration receivable from management of funds	-	-	12,908	143	-	-	49,583	3,412
Sales load receivable	-	-	2,102	-	-	-	10,472	-
Formation cost receivable	-	-	2,771	-	-	-	6,045	-
Advance for Pre-IPO investment	-	-	-	364,000	-	-	100,000	-
Receivable against redemption of units of mutual funds	-	-	1,004,226	-	-	-	-	-
Other receivable	-	-	1,438	-	-	-	78	-
Borrowings								
Opening balance	-	-	-	449,740	-	-	-	428,195
Borrowings during the year	-	-	4,548,669	88,156,884	-	-	-	899,480
Settled during the year	-	-	(4,548,669)	(88,300,409)	-	-	-	(877,935)
Closing balance	-	-	-	306,215	-	-	-	449,740
Deposits and other accounts								
Opening balance	2,898,779	91,090	1,310,093	2,044,951	2,796,798	78,683	3,828,995	1,023,817
Received during the year	6,948,406	922,237	55,101,601	84,010,717	15,000,221	1,821,171	36,818,728	83,118,042
Withdrawn during the year	(3,673,222)	(913,055)	(55,587,146)	(83,476,741)	(14,898,240)	(1,808,764)	(39,337,630)	(82,096,908)
Closing balance	6,173,963	100,272	824,548	2,578,927	2,898,779	91,090	1,310,093	2,044,951
Subordinated loans	-	5	5,998	-	-	5	5,998	-
Other Liabilities								
Interest / mark-up payable on deposits	75,061	394	-	34,405	35,518	396	64	6,856
Interest / mark-up payable on borrowings	-	-	-	837	-	-	-	761
Interest / mark-up payable on subordinated loans	-	0	167	-	-	0	167	-
Unrealised loss on derivative transactions	-	-	-	-	-	-	-	1,623,223
Contingencies and Commitments								
Letter of guarantee	-	-	71,993	-	1,782,540	-	75,668	-
Forward foreign exchange contracts purchase	-	-	-	2,914,491	-	-	-	1,451,040
Forward foreign exchange contracts sale	-	-	-	2,817,341	-	-	-	1,448,555

	2012				2011			
	Directors	Key management	Associates	Other related parties	Directors	Key management	Associates	Other related parties
(Rupees in '000)								
Mark-up / return / interest earned	77	12,652	-	45,476	126	9,311	-	32,920
Commission / charges recovered	30	24	987	448	5	11	596	1,860
Dividend received	-	-	2,058,392	1,136	-	-	457,847	942
Net (loss) / gain on sale of securities	-	-	(271,413)	8,006	-	-	46,943	-
Realised gain on derivative transactions	-	-	-	1,123,975	-	-	-	2,318,442
Remuneration received from management of funds	-	-	688,804	9,413	-	-	388,456	2,922
Sales load received	-	-	30,781	-	-	-	22,372	351
Other income	-	685	4,682	-	-	2,398	90	-
Mark-up / return / interest paid	194,070	1,939	13,662	123,797	111,731	3,032	112,260	38,477
Remuneration paid	-	709,271	-	-	-	563,335	-	-
Post employment benefits	-	18,782	-	-	-	17,147	-	-
Non-executive directors' fee	34,133	-	-	-	34,553	-	-	-
Net charge for defined contribution plans	-	-	-	233,063	-	-	-	198,702
Net reversal for defined benefit plans	-	-	-	(177,377)	-	-	-	(354,496)
Payment for employee motivation and retention scheme	-	-	-	250,000	-	-	-	230,000
Donation	-	-	-	75	-	-	-	20,000
Insurance premium paid	-	-	258,389	-	-	-	251,397	-
Insurance claims settled	-	-	151,292	-	-	-	205,459	-

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****44. CAPITAL ADEQUACY**

- 44.1** 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 risks 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.

44.2 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, 2012 stood at Rs.12,241.798 million (2011: 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, 2012 was 14.71% (2011: 14.88%). 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, surplus 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 Bank 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, 2012**
44.3 Capital Adequacy Ratio

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

	2012	2011		
	----- (Rupees in '000) -----			
Regulatory capital base				
Tier I Capital				
- Fully paid-up capital	12,241,798	12,241,798		
- Statutory and general reserves	17,832,279	16,025,214		
- Unappropriated profits	38,231,813	34,207,654		
- Non-controlling interest	2,827,060	2,324,385		
Total Tier I Capital	71,132,950	64,799,052		
Deductions:				
- Book value of intangibles	1,740,761	1,629,965		
- Shortfall in provisions irrespective of relaxation provided	738,125	756,000		
- Reciprocal cross holdings by banks	19,498	5,998		
- 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	570,670	127,796		
	3,069,054	2,519,759		
Total eligible Tier 1 Capital	68,063,896	62,279,291		
Supplementary Capital				
Tier II Capital				
- General provisions or general reserves for loan losses - upto a maximum of 1.25% of risk weighted assets	1,262,832	1,008,694		
- Revaluation reserves up to 45%	9,946,932	6,237,431		
- Foreign exchange translation reserves	14,487,405	11,531,541		
- Subordinated loans - upto a maximum of 50% of total eligible Tier 1 capital	6,115,067	6,783,480		
- Cash flow hedge reserve	(32,298)	(95,377)		
Total Tier II Capital	31,779,938	25,465,769		
Deductions:				
- 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	570,670	127,796		
	570,670	127,796		
Total eligible Tier 2 Capital	31,209,268	25,337,973		
Total Eligible Capital	99,273,164	87,617,265		
Risk weighted exposures				
	Capital requirements	Risk weighted assets		
Note	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Credit risk				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	5,218,421	3,210,115	52,184,207	32,101,152
Public Sector Enterprises	1,088,721	894,849	10,887,206	8,948,485
Banks	4,774,662	4,449,085	47,746,622	44,490,848
Corporates	24,586,109	23,927,699	245,861,093	239,276,989
Retail portfolio	2,355,548	2,587,607	23,555,479	25,876,071
Secured by residential property	155,967	164,803	1,559,671	1,648,031
Past due loans	2,001,677	1,875,135	20,016,765	18,751,351
Listed equity investments	182,635	134,042	1,826,351	1,340,416
Unlisted equity investments	1,757,648	2,623,731	17,576,475	26,237,308
Investments in fixed assets	2,583,482	2,410,275	25,834,820	24,102,751
Other assets	1,151,626	918,961	11,516,255	9,189,607
	45,856,496	43,196,302	458,564,944	431,963,009
Market risk				
Interest rate risk	7,651,255	3,662,025	95,640,691	45,775,311
Equity exposure risk	1,125,230	974,613	14,065,381	12,182,664
Foreign exchange risk	900,601	747,440	11,257,518	9,343,003
	9,677,086	5,384,078	120,963,590	67,300,978
Operational risk	7,641,809	7,157,801	95,522,614	89,472,518
	63,175,391	55,738,181	675,051,148	588,736,505
Capital adequacy ratio				
Total eligible regulatory capital held	99,273,164	87,617,265		
Total risk weighted assets	675,051,148	588,736,505		
Capital adequacy ratio	14.71%	14.88%		

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**
44.4. 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 or type of exposure, whichever is applicable.

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 Group selects particular ECAs 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 Group also utilizes rating scores of Export Credit Agencies participating in the "Arrangement on Officially Supported Export

Types of exposures and ECAI's used

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

Mapping to SBP Rating Grades

For all exposures, the selected ratings 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	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	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, 2012**
Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2012			2011		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalents	-	24,028,268	-	24,028,268	23,133,469	-	23,133,469
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	167,163,379	51,224,862	115,938,517	121,016,072	-	121,016,072
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	6,323,688	-	6,323,688	5,175,221	-	5,175,221
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	2,114,357 2,603,426 10,730,934 2,220,842 29,384,809 -	- - - - - -	2,114,357 2,603,426 10,730,934 2,220,842 29,384,809 -	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 -
Corporates	0 1 2 3,4 5,6 Unrated	47,054,368 26,422,834 39,147,160 262,452 662,516 237,907,997	- - 4,247 - - 18,159,153	47,054,368 26,422,834 39,142,913 262,452 662,516 219,748,844	30,364,284 42,570,159 19,928,556 487,152 650,243 233,066,988	- 2,522 8,940 1 - 13,725,850	30,364,284 42,567,637 19,919,616 487,151 650,243 219,341,138
		304,402,959	18,163,400	286,239,559	296,703,098	13,737,313	282,965,784
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	612,611 - - 3,381,066	- - - -	612,611 - - 3,381,066	1,991,733 - - 4,128	- - - -	1,991,733 - - 4,128
		3,993,677	-	3,993,677	1,995,861	-	1,995,861
Banks - others	0 1 2,3 4,5 6 Unrated	- 45,168,095 40,114,842 3,532,535 7,259,014 9,452,152	- 6,451,430 - - - -	- 38,716,665 40,114,842 3,532,535 7,259,014 9,452,152	- 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
		105,526,638	6,451,430	99,075,208	123,400,003	28,242,244	95,157,760
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 7,556,089 - - - 70,046,865	- 1,072 - - - 51,294,459	- 7,555,017 - - - 18,752,406	- 1,597,643 - - - 49,823,364	- 299 - - - 32,565,331	- 1,597,344 - - - 17,258,033
		77,602,954	51,295,531	26,307,423	51,421,007	32,565,630	18,855,377
Retail portfolio	75% 35%	34,157,061 4,456,204	2,749,755 -	31,407,306 4,456,204	36,874,411 4,708,661	2,372,983 -	34,501,428 4,708,661
		38,613,265	2,749,755	35,863,510	41,583,072	2,372,983	39,210,089
Equity investments	- Listed - Unlisted	1,826,351 11,717,650	- -	1,826,351 11,717,650	1,340,416 17,491,539	- -	1,340,416 17,491,539
		13,544,001	-	13,544,001	18,831,955	-	18,831,955
Past due loans secured against mortgage of residential property:							
- less than 20% provided	100%	173,111	-	173,111	178,257	-	178,257
- greater than 20% provided	50%	353,437	-	353,437	536,227	-	536,227
		526,548	-	526,548	714,484	-	714,484
Past due loans - others							
- Less than 20% provided	150%	9,433,681	2,932,700	6,500,981	5,903,702	-	5,903,702
- Between 20% to 50% provided	100%	8,171,304	-	8,171,304	7,717,825	-	7,717,825
- More than 50% provided	50%	3,488,318	-	3,488,318	3,463,203	-	3,463,203
		21,093,303	2,932,700	18,160,603	17,084,731	-	17,084,731
Fixed Assets	100%	25,834,820	-	25,834,820	24,102,751	-	24,102,751
Others		11,516,255	-	11,516,255	9,189,607	-	9,189,607
		847,224,123	132,817,678	714,406,445	764,715,614	76,918,170	687,797,444

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 the 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.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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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 BoD / 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 BoD / 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.

45.1 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 Bank'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, 2012**
45.2 Segmental information
45.2.1 Segments by class of business

	2012					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	6,436,929	1.49%	15,784,908	2.09%	4,053,394	0.72%
Agri business	54,820,003	12.73%	37,837,882	5.01%	75,359	0.01%
Textile spinning	16,023,464	3.72%	1,754,995	0.23%	2,329,641	0.41%
Textile weaving	6,264,208	1.45%	2,632,554	0.35%	1,441,050	0.26%
Textile composite	21,485,938	4.99%	2,923,552	0.39%	48,404	0.01%
Textile others	15,984,029	3.71%	2,059,022	0.27%	1,905,932	0.34%
Cement	2,393,256	0.56%	2,916,842	0.39%	523,919	0.09%
Sugar	12,019,995	2.79%	5,347,923	0.71%	353,274	0.06%
Shoes and leather garments	2,141,611	0.50%	3,903,157	0.52%	338,963	0.06%
Automobile and transportation equipment	6,189,827	1.44%	6,288,496	0.83%	2,642,414	0.47%
Financial Insurance	9,599,799	2.23%	13,648,170	1.81%	310,548,199	55.14%
Insurance	-	0.00%	14,416,808	1.91%	24,413	0.00%
Electronics and electrical appliances	2,903,457	0.67%	2,645,120	0.35%	7,848,109	1.39%
Production and transmission of energy	56,734,730	13.17%	20,191,121	2.67%	38,220,380	6.79%
Paper and allied	815,020	0.19%	990,948	0.13%	711,440	0.13%
Surgical and metal	371,234	0.09%	2,052,536	0.27%	131,086	0.02%
Contractors	8,943,375	2.08%	28,960,618	3.83%	24,567,559	4.36%
Wholesale traders	17,509,608	4.07%	41,727,965	5.52%	2,489,743	0.44%
Fertilizer dealers	4,437,555	1.03%	7,160,535	0.95%	1,755,309	0.31%
Sports goods	286,356	0.07%	1,926,353	0.26%	22,535	0.00%
Food industries	12,820,978	2.98%	11,203,397	1.48%	4,583,676	0.81%
Airlines	7,557,065	1.75%	5,413,479	0.72%	186,170	0.03%
Cables	832,925	0.19%	79,424	0.01%	186,093	0.03%
Construction	19,918,461	4.62%	10,818,933	1.43%	7,401,252	1.31%
Containers and ports	1,883,000	0.44%	762,599	0.10%	3,323,884	0.59%
Engineering	1,127,890	0.26%	2,093,081	0.28%	1,827,272	0.32%
Glass and allied	131,094	0.03%	648,509	0.09%	21,028	0.00%
Hotels	3,960,279	0.92%	3,610,021	0.48%	66,063	0.01%
Infrastructure	638,644	0.15%	5,652,867	0.75%	-	0.00%
Media	486,273	0.11%	594,501	0.08%	51,535	0.01%
Polyester and fibre	4,514,939	1.05%	195,858	0.03%	364	0.00%
Telecommunication	9,959,155	2.31%	10,557,710	1.40%	3,751,277	0.67%
Individuals	60,238,375	13.99%	399,579,834	52.91%	33,735,555	5.99%
Others	61,264,970	14.22%	88,884,546	11.77%	108,051,511	19.18%
	430,694,442	100.00%	755,264,264	100.00%	563,216,803	100.00%

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	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	6.64%	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%	14,610,102	2.30%	315,720,176	57.76%
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	3.83%
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	4.18%
Wholesale traders	13,796,634	3.61%	41,776,985	6.58%	3,342,661	0.61%
Fertilizer dealers	6,870,880	1.80%	11,698,466	1.84%	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	1.22%
Containers and ports	1,762,702	0.46%	8,432,724	1.33%	3,430,024	0.63%
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	3.14%
Individuals	54,387,947	14.23%	322,807,568	50.85%	24,957,571	4.57%
Others	53,712,121	14.06%	66,049,879	10.40%	110,356,480	20.19%
	382,115,775	100.00%	634,796,624	100.00%	546,637,088	100.00%

45.2.2 Segment by sector

	2012					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	105,607,720	24.52%	55,509,346	7.35%	117,388,866	20.84%
Private	325,086,722	75.48%	699,754,918	92.65%	445,827,937	79.16%
	430,694,442	100.00%	755,264,264	100.00%	563,216,803	100.00%

	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	10.15%	70,889,332	12.97%
Private	319,402,009	83.59%	570,372,844	89.85%	475,747,756	87.03%
	382,115,775	100.00%	634,796,624	100.00%	546,637,088	100.00%

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

	2012		2011	
	Classified advances	Specific provision	Classified advances	Specific provision
----- (Rupees in '000) -----				
Chemical and pharmaceuticals	312,746	256,259	219,819	202,894
Agri business	1,313,254	954,821	1,492,362	982,720
Textile spinning	5,499,634	4,961,322	4,641,798	4,405,456
Textile weaving	1,126,543	877,388	1,118,563	942,390
Textile composite	5,710,107	4,409,573	6,233,524	3,914,856
Textile others	3,640,690	3,072,455	3,275,453	2,531,570
Sugar	160,424	41,956	243,298	63,255
Shoes and leather garments	242,670	242,670	259,343	211,908
Automobile and transportation equipment	264,702	191,313	337,798	215,613
Financial	2,231,888	1,629,271	2,317,049	1,821,433
Electronics and electrical appliances	201,492	201,492	256,359	248,387
Production and transmission of energy	6,480,916	3,079,402	2,433,707	2,371,643
Paper and allied	397,813	305,470	359,645	262,131
Wholesale traders	1,667,571	1,483,440	1,629,270	1,478,940
Fertilizer dealers	72,148	67,811	66,459	66,459
Sports goods	126,960	126,960	127,325	127,325
Food industries	989,530	884,938	1,247,467	1,177,347
Construction	4,085,882	3,323,093	4,178,163	2,213,976
Engineering	550,061	524,271	668,542	585,544
Glass and allied	4,205	4,205	16,822	16,822
Hotels	485,993	145,826	485,993	123,993
Polyester and fibre	2,362,823	2,106,295	1,796,629	1,760,954
Individuals	15,300,261	11,642,650	14,267,464	11,607,632
Others	5,221,844	3,064,468	3,471,318	2,634,314
	<u>58,450,157</u>	<u>43,597,349</u>	<u>51,144,170</u>	<u>39,967,562</u>

45.2.4 Details of non performing advances and specific provision by sector

	2012		2011	
	Classified advances	Specific provision	Classified advances	Specific provision
----- (Rupees in '000) -----				
Public / Government	-	-	-	-
Private	58,450,157	43,597,349	51,144,170	39,967,562
	<u>58,450,157</u>	<u>43,597,349</u>	<u>51,144,170</u>	<u>39,967,562</u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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45.2.5 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan operations	24,157,839	688,673,047	57,689,127	373,701,788
Middle East	3,401,778	213,579,340	28,462,965	139,676,024
United States of America	184,364	3,782,679	1,850,136	3,832
Karachi Export Processing Zone	18,377	696,218	359,908	127,326
Europe	556,826	70,651,011	11,065,070	75,035,859
Africa	91,262	1,443,786	1,427,178	-
	<u>4,252,607</u>	<u>290,153,034</u>	<u>43,165,257</u>	<u>214,843,041</u>
	<u>28,410,446</u>	<u>978,826,081</u>	<u>100,854,384</u>	<u>588,544,829</u>
	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan operations	20,710,564	623,190,705	52,037,865	410,039,278
Middle East	2,618,024	152,250,045	22,976,014	121,309,333
United States of America	183,781	4,042,572	1,596,319	3,705
Karachi Export Processing Zone	28,841	1,518,215	308,704	136,162
Europe	92,426	34,398,732	9,001,744	17,936,432
Africa	-	-	-	-
	<u>2,923,072</u>	<u>192,209,564</u>	<u>33,882,781</u>	<u>139,385,632</u>
	<u>23,633,636</u>	<u>815,400,269</u>	<u>85,920,646</u>	<u>549,424,910</u>

Total assets employed include intra group items of Rs.18,615.666 million (2011: Rs.8,195.481 million).

Contingencies and commitments include intra group items of Rs.25,328.026 million (2011: Rs.2,787.822 million).

45.3 Market risk

Market risk is the risk that the Group may experience due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as the correlations between them. Each of these components of market risk include a general market risk and a specific aspect of market risk that originates in the portfolio structure of a bank.

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 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 division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while 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.

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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.
- 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.

45.3.1 Foreign Exchange Risk

	2012			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	708,347,969	600,940,945	(16,752,154)	90,654,870
US Dollar	111,059,684	86,317,108	(17,742,489)	7,000,087
Pound Sterling	28,107,458	34,511,774	5,948,908	(455,408)
Japanese Yen	115,709	12,654	(55,545)	47,510
Euro	4,551,081	7,872,559	3,514,545	193,067
UAE Dirham	65,800,190	80,477,425	14,074,639	(602,596)
Bahrain Dinar	10,596,389	16,424,191	5,828,363	561
Qatari Riyal	10,103,904	11,665,772	2,622,384	1,060,516
Other Currencies	21,528,031	21,133,603	2,561,349	2,955,777
	<u>960,210,415</u>	<u>859,356,031</u>	<u>-</u>	<u>100,854,384</u>

	2011			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (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>

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Foreign Exchange Risk is the risk 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 the 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. From time to time, the Treasury and Capital Markets Group proactively hedges foreign currency exposures, in accordance with SBP regulations and subject to pre-defined limits.

45.3.2 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.

45.3.3 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 on 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.

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45.3.4 Mismatch of interest rate sensitive assets and liabilities

Effective yield / Interest rate	Total	2012									Non-interest bearing financial instruments	
		Exposed to Yield / Interest risk										
		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)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	94,766,489	7,678,267	-	-	-	-	-	-	-	-	87,088,222
Balances with other banks	1.15%	22,843,080	11,809,980	3,020,540	731,574	150,128	-	-	-	-	-	7,130,858
Lendings to financial institutions	4.47%	21,953,458	9,560,360	3,965,289	4,610,064	2,658,245	291,449	-	-	-	-	868,051
Investments	10.64%	381,245,903	14,735,996	25,077,886	66,922,037	110,877,540	10,842,058	18,416,285	65,692,028	41,184,455	2,616,760	24,880,858
Advances	11.28%											
Performing		372,244,285	81,080,257	171,443,824	50,557,910	18,340,550	9,837,757	11,184,587	13,917,006	7,159,346	8,639,624	83,424
Non -performing		13,589,976	-	-	-	-	-	-	-	-	-	13,589,976
Operating fixed assets - Ijarah assets	10.11%-28.5%	982,463	4,697	11,740	13,203	35,633	240,480	199,776	476,934	-	-	-
Other assets	0%	15,336,009	-	-	-	-	-	-	-	-	-	15,336,009
		<u>922,961,663</u>	<u>124,869,557</u>	<u>203,519,279</u>	<u>122,834,788</u>	<u>132,062,096</u>	<u>21,211,744</u>	<u>29,800,648</u>	<u>80,085,968</u>	<u>48,343,801</u>	<u>11,256,384</u>	<u>148,977,398</u>
Liabilities												
Bills payable	0%	7,600,633	-	-	-	-	-	-	-	-	-	7,600,633
Borrowings	10.46%	67,215,209	45,064,760	15,429,182	1,373,975	910,937	-	-	885,805	3,549,786	-	764
Deposits and other accounts	4.33%	755,264,264	282,977,806	50,697,349	76,489,504	53,773,467	8,739,533	4,288,883	5,000,845	16,056,911	1,556	257,238,410
Subordinated loans	11.91%	9,319,264	-	9,319,264	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	15.28%	2,109	59	125	189	401	1,335	-	-	-	-	-
Other liabilities	0%	17,668,233	-	-	-	-	-	-	-	-	-	17,668,233
		<u>857,069,712</u>	<u>328,042,625</u>	<u>75,445,920</u>	<u>77,863,668</u>	<u>54,684,805</u>	<u>8,740,868</u>	<u>4,288,883</u>	<u>5,886,650</u>	<u>19,606,697</u>	<u>1,556</u>	<u>282,508,040</u>
On-balance sheet Gap		<u>65,891,951</u>	<u>(203,173,068)</u>	<u>128,073,359</u>	<u>44,971,120</u>	<u>77,377,291</u>	<u>12,470,876</u>	<u>25,511,765</u>	<u>74,199,318</u>	<u>28,737,104</u>	<u>11,254,828</u>	<u>(133,530,642)</u>
Non financial net assets		<u>34,962,433</u>										
Total net assets		<u>100,854,384</u>										
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		8,059,417	1,000,000	-	2,444,083	1,000,000	-	-	291,449	3,323,885	-	-
Interest Rate Derivatives - Short position		(8,059,417)	-	-	(4,615,333)	(1,000,000)	-	-	(291,449)	(2,152,635)	-	-
Cross Currency Swap - Long position		12,490,616	-	8,072,150	4,418,466	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(12,490,616)	-	(8,072,150)	(4,418,466)	-	-	-	-	-	-	-
FX Options - Long position		37,234	-	-	37,234	-	-	-	-	-	-	-
FX Options - Short position		(37,234)	-	-	(37,234)	-	-	-	-	-	-	-
Forward Sale of Govt. Securities		308,867	-	-	-	-	-	-	-	308,867	-	-
Foreign currency forward purchases		141,981,927	90,798,024	37,335,070	12,599,533	1,249,300	-	-	-	-	-	-
Foreign currency forward sales		(112,686,309)	(76,937,365)	(25,505,793)	(10,165,219)	(77,932)	-	-	-	-	-	-
Commodity futures		489	-	489	-	-	-	-	-	-	-	-
Off-balance sheet Gap		<u>29,604,974</u>	<u>14,860,659</u>	<u>11,829,766</u>	<u>263,064</u>	<u>1,171,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,480,117</u>	<u>-</u>	<u>-</u>
Total Yield / Interest Risk Sensitivity Gap		<u>95,496,925</u>	<u>(188,312,409)</u>	<u>139,903,125</u>	<u>45,234,184</u>	<u>78,548,659</u>	<u>12,470,876</u>	<u>25,511,765</u>	<u>74,199,318</u>	<u>30,217,221</u>	<u>11,254,828</u>	<u>(133,530,642)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>(188,312,409)</u>	<u>(48,409,284)</u>	<u>(3,175,100)</u>	<u>75,373,559</u>	<u>87,844,435</u>	<u>113,356,200</u>	<u>187,555,518</u>	<u>217,772,739</u>	<u>229,027,567</u>	<u>95,496,925</u>

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.

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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)										
%												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.02%	86,309,061	1,493,861	-	-	-	-	-	-	-	-	84,815,200
Balances with other banks	1.03%	16,579,821	10,881,506	1,283,131	1,501,090	362,992	-	-	-	-	-	2,551,102
Lendings to financial institutions	6.04%	12,375,261	2,454,271	5,346,026	3,327,692	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
		<u>772,636,783</u>	<u>96,723,606</u>	<u>188,586,073</u>	<u>96,795,975</u>	<u>147,585,024</u>	<u>11,888,922</u>	<u>11,916,843</u>	<u>42,221,130</u>	<u>24,966,827</u>	<u>17,250,835</u>	<u>134,701,548</u>
Liabilities												
Bills payable	0%	5,879,043	-	-	-	-	-	-	-	-	-	5,879,043
Borrowings	12.23%	49,955,704	30,762,558	10,014,137	4,504,431	255,614	261,447	405,482	1,265,795	2,486,240	-	-
Deposits and other accounts	4.29%	634,796,624	257,432,474	61,964,021	25,396,989	37,998,455	6,008,997	5,107,404	7,499,243	6,453,061	4,303	226,931,677
Subordinated loans	12.80%	11,317,080	-	8,652,640	-	665,040	1,999,400	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities	0%	18,355,015	-	-	-	-	-	-	-	-	-	18,355,015
		<u>720,303,466</u>	<u>288,195,032</u>	<u>80,630,798</u>	<u>29,901,420</u>	<u>38,919,109</u>	<u>8,269,844</u>	<u>5,512,886</u>	<u>8,765,038</u>	<u>8,939,301</u>	<u>4,303</u>	<u>251,165,735</u>
On-balance sheet Gap		<u>52,333,317</u>	<u>(191,471,426)</u>	<u>107,955,275</u>	<u>66,894,555</u>	<u>108,665,915</u>	<u>3,619,078</u>	<u>6,403,957</u>	<u>33,456,092</u>	<u>16,027,526</u>	<u>17,246,532</u>	<u>(116,464,187)</u>
Non financial net assets		<u>33,587,329</u>										
Total net assets		<u>85,920,646</u>										
Off-balance sheet financial instruments												
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)	-	-	-	-	-	-	-
Foreign currency forward purchases		142,678,300	67,796,794	45,893,954	27,202,572	1,784,980	-	-	-	-	-	-
Foreign currency forward sales		(100,302,537)	(55,094,372)	(29,313,441)	(15,894,724)	-	-	-	-	-	-	-
Off-balance sheet Gap		<u>42,375,763</u>	<u>13,702,422</u>	<u>15,344,263</u>	<u>10,057,848</u>	<u>2,034,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236,250</u>	<u>-</u>	<u>-</u>
Total Yield / Interest Risk Sensitivity Gap		<u>94,709,080</u>	<u>(177,769,004)</u>	<u>123,299,538</u>	<u>76,952,403</u>	<u>110,700,895</u>	<u>3,619,078</u>	<u>6,403,957</u>	<u>33,456,092</u>	<u>17,263,776</u>	<u>17,246,532</u>	<u>(116,464,187)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>(177,769,004)</u>	<u>(54,469,466)</u>	<u>22,482,937</u>	<u>133,183,832</u>	<u>136,802,910</u>	<u>143,206,867</u>	<u>176,662,959</u>	<u>193,926,735</u>	<u>211,173,267</u>	<u>94,709,080</u>

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.

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45.4 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.

45.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Bank

Asset and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on the last seven years' data. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behaviour. The methodology and the assumptions have been approved by ALCO.

	2012									
	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)										
Assets										
Cash and balances with treasury banks	94,766,489	45,040,056	1,845,879	1,793,721	2,607,176	3,597,583	2,773,940	4,410,966	8,082,349	24,614,819
Balances with other banks	22,843,080	20,006,674	2,419,779	266,499	150,128	-	-	-	-	-
Lendings to financial institutions	21,953,458	10,457,978	4,072,539	1,876,956	2,362,578	2,015,356	300,000	-	-	868,051
Investments	381,245,903	9,868,652	19,992,107	52,591,389	127,391,250	22,821,458	23,399,768	68,983,070	43,003,754	13,194,455
Advances - Performing	371,001,659	69,324,798	96,824,284	39,172,691	27,473,161	19,848,008	11,611,657	57,042,242	46,817,444	2,887,374
Non-performing	14,832,602	-	-	-	-	-	-	-	-	14,832,602
Operating fixed assets	27,460,839	126,115	282,592	441,560	264,162	941,081	927,795	3,294,400	2,403,638	18,779,496
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	26,106,385	4,490,864	5,261,061	5,215,744	6,795,067	588,352	342,734	1,272,242	925,044	1,215,277
	960,210,415	159,315,137	130,698,241	101,358,560	167,043,522	49,811,838	39,355,894	135,002,920	101,232,229	76,392,074
Liabilities										
Bills payable	7,600,633	2,686,303	1,777,680	1,733,605	1,403,045	-	-	-	-	-
Borrowings	67,215,209	45,239,563	10,064,403	6,764,183	1,162,436	344,291	493,639	864,494	2,282,200	-
Deposits and other accounts	755,264,264	111,440,126	82,999,319	59,633,589	68,999,312	47,020,431	33,588,244	49,800,833	99,060,401	202,722,009
Subordinated loans	9,319,264	-	2,333,268	-	333,868	667,728	2,400	4,800	5,977,200	-
Liabilities against assets subject to finance lease	2,109	59	125	189	401	1,335	-	-	-	-
Deferred tax liability - net	278,546	-	-	-	(124,760)	(222,750)	313,028	313,028	-	-
Other liabilities	19,676,006	5,726,628	1,800,668	854,483	1,007,178	640,363	453,414	907,610	2,562,118	5,723,544
	859,356,031	165,092,679	98,975,463	68,986,049	72,781,480	48,451,398	34,850,725	51,890,765	109,881,919	208,445,553
Net assets	100,854,384	(5,777,542)	31,722,778	32,372,511	94,262,042	1,360,440	4,505,169	83,112,155	(8,649,690)	(132,053,479)

Represented by:

Share capital	12,241,798
Reserves	32,298,690
Unappropriated profit	38,231,813
Non-controlling interest	2,827,060
Surplus on revaluation of assets	15,255,023
	<u>100,854,384</u>

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	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) -----									
Assets										
Cash and balances with treasury banks	86,309,061	38,377,489	2,875,963	1,673,468	2,432,715	3,354,672	2,587,666	4,113,881	7,543,488	23,349,719
Balances with other banks	16,579,821	12,754,928	2,712,751	802,287	309,855	-	-	-	-	-
Lendings to financial institutions	12,375,261	2,182,723	5,708,314	2,817,164	182,579	176,260	300,000	-	906,847	101,374
Investments	301,106,877	4,013,329	18,025,296	36,558,941	141,381,083	18,611,049	11,630,585	34,008,730	22,088,216	14,789,648
Advances - Performing	329,969,594	82,073,758	76,283,754	36,663,904	31,358,067	13,258,369	15,011,594	22,367,318	34,918,698	18,034,132
Non-performing	11,169,925	-	-	-	-	-	-	-	-	11,169,925
Operating fixed assets	25,745,215	60,429	128,050	203,330	339,042	937,014	849,296	2,218,557	2,416,209	18,593,288
Deferred tax asset	1,991,667	-	-	-	662,366	743,928	292,687	292,686	-	-
Other assets	21,957,367	4,225,886	3,101,264	11,384,502	2,382,200	320,410	81,390	-	(28,019)	489,734
	807,204,788	143,688,542	108,835,392	90,103,596	179,047,907	37,401,702	30,753,218	63,001,172	67,845,439	86,527,820
Liabilities										
Bills payable	5,879,043	2,029,249	1,392,601	1,358,074	1,099,119	-	-	-	-	-
Borrowings	49,955,704	30,767,276	10,009,418	4,504,430	255,614	261,447	405,483	1,265,796	2,486,240	-
Deposits and other accounts	634,796,624	85,783,259	77,020,422	43,378,318	54,805,641	37,721,662	28,906,142	56,068,593	72,993,406	178,119,181
Subordinated loans	11,317,080	-	998,908	-	998,908	2,667,136	667,728	4,800	5,979,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	19,335,691	8,140,985	1,220,923	1,824,978	1,517,126	397,567	276,201	422,512	1,410,762	4,124,637
	721,284,142	126,720,769	90,642,272	51,065,800	58,676,408	41,047,812	30,255,554	57,761,701	82,870,008	182,243,818
Net assets	85,920,646	16,967,773	18,193,120	39,037,796	120,371,499	(3,646,110)	497,664	5,239,471	(15,024,569)	(95,715,998)
Represented by:										
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
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45.4.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

The maturity profile presented below has been prepared as required by IAS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

	2012									
	Total	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 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	94,766,489	88,387,363	-	-	-	-	-	-	-	6,379,126
Balances with other banks	22,843,080	20,006,674	2,419,779	266,499	150,128	-	-	-	-	-
Lendings to financial institutions	21,953,458	10,457,978	4,072,539	1,876,956	2,362,578	2,015,356	300,000	-	-	868,051
Investments	381,245,903	16,861,069	19,493,818	52,591,389	120,897,121	22,821,458	23,399,769	68,983,070	43,003,754	13,194,455
Advances	385,834,261	96,793,063	69,356,020	39,172,691	27,473,161	19,848,008	11,611,657	57,042,242	46,817,444	17,719,975
Operating fixed assets	27,460,839	126,115	282,592	441,560	264,162	941,081	927,795	3,294,400	2,403,638	18,779,496
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	26,106,385	23,847,598	616,112	186,821	661,204	431,478	216,787	146,385	-	-
	960,210,415	256,479,860	96,240,860	94,535,916	151,808,354	46,057,381	36,456,008	129,466,097	92,224,836	56,941,103
Liabilities										
Bills payable	7,600,633	7,600,633	-	-	-	-	-	-	-	-
Borrowings	67,215,209	45,239,563	10,064,403	6,764,183	1,162,436	344,291	493,639	864,494	2,282,200	-
Deposits and other accounts	755,264,264	544,266,838	67,522,287	44,210,427	48,238,748	13,458,667	7,217,541	7,887,757	22,461,999	-
Subordinated loans	9,319,264	-	2,333,268	-	333,868	667,728	2,400	4,800	5,977,200	-
Liabilities against assets subject to finance lease	2,109	59	125	189	401	1,335	-	-	-	-
Deferred tax liability - net	278,546	1,252,110	-	-	(437,787)	(535,777)	-	-	-	-
Other liabilities	19,676,006	14,403,443	994,484	61,819	367,494	27,047	-	209,230	1,296,275	2,316,214
	859,356,031	612,762,646	80,914,567	51,036,618	49,665,160	13,963,291	7,713,580	8,966,281	32,017,674	2,316,214
Net assets	100,854,384	(356,282,786)	15,326,293	43,499,298	102,143,194	32,094,090	28,742,428	120,499,816	60,207,162	54,624,889

Represented by:

Share capital	12,241,798
Reserves	32,298,690
Unappropriated profit	38,231,813
Non-controlling interest	2,827,060
Surplus on revaluation of assets	15,255,023
	<u>100,854,384</u>

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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 year 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) -----										
Assets										
Cash and balances with treasury banks	86,309,061	79,976,528	1,153,448	-	-	-	-	-	-	5,179,085
Balances with other banks	16,579,821	12,754,928	2,712,751	802,287	309,855	-	-	-	-	-
Lendings to financial institutions	12,375,261	2,182,723	5,708,314	2,817,164	182,579	176,260	300,000	-	906,847	101,374
Investments	301,106,877	12,000,895	17,638,514	36,558,941	133,780,299	18,611,049	11,630,585	34,008,730	22,088,216	14,789,648
Advances	341,139,519	114,254,088	44,103,423	36,663,904	31,358,067	13,258,369	15,011,594	22,367,318	34,918,698	29,204,058
Operating fixed assets	25,745,215	60,429	128,050	203,330	339,042	937,014	849,296	2,218,557	2,416,209	18,593,288
Deferred tax asset	1,991,667	1,170,747	-	-	369,679	451,241	-	-	-	-
Other assets	21,957,367	19,724,439	117,811	1,382,285	385,328	320,410	16,295	-	10,799	-
	807,204,788	242,124,777	71,562,311	78,427,911	166,724,849	33,754,343	27,807,770	58,594,605	60,340,769	67,867,453
Liabilities										
Bills payable	5,879,043	5,879,043	-	-	-	-	-	-	-	-
Borrowings	49,955,704	30,767,276	10,009,418	4,504,430	255,614	261,447	405,483	1,265,796	2,486,240	-
Deposits and other accounts	634,796,624	465,282,296	62,793,484	30,324,718	35,090,683	7,895,768	6,871,570	19,705,683	6,832,422	-
Subordinated loans	11,317,080	-	998,908	-	998,908	2,667,136	667,728	4,800	5,979,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	19,335,691	14,669,566	640,067	236,323	1,015,890	31,415	-	2,672	664,808	2,074,950
	721,284,142	516,598,181	74,441,877	35,065,471	37,361,095	10,855,766	7,944,781	20,978,951	15,963,070	2,074,950
Net assets	85,920,646	(274,473,404)	(2,879,566)	43,362,440	129,363,754	22,898,577	19,862,989	37,615,654	44,377,699	65,792,503
Represented by:										
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									
	<u>85,920,646</u>									

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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45.5 Operational risk

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

The Operational Risk & Basel II Division is primarily responsible for the oversight of operational risk management across the Group. The operational risk management framework of the Group is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the Group. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures.

Business Continuity Plans have been implemented across the Group, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

46. ISLAMIC BANKING BUSINESS

The Group operates 19 (2011: 14) Islamic Banking Branches and 15 (2011: 15) Islamic Banking windows.

BSD Circular Letter No. 03 dated January 22, 2013 requires all Islamic Banks and Banks with Islamic banking Branches to present all financing, advances for assets under Islamic modes of financing and any other related items pertaining to Islamic modes of financing under the caption "Islamic Financing and Related Assets" in the Statement of Financial Position. Previously, advances for assets under Islamic modes of financing were reported under "Other Assets" and Ijarah Assets were reported under "Operating Fixed Assets". This change in presentation is effective from December 31, 2012 and accordingly, the Group has presented the Statement of Financial Position of Islamic Banking branches as per the revised regulations.

The statement of financial position of the Group's Islamic Banking Branches as at December 31, 2012 is as follows:

ASSETS	Note	2012	2011
		----- (Rupees in '000) -----	
Cash and balances with treasury banks		748,333	520,737
Balances with other banks		1,293,290	2,185,282
Due from financial institutions		-	-
Investments		8,036,026	5,006,664
Islamic financing and related assets	45.1	3,118,266	1,128,458
Operating fixed assets		100,250	62,292
Due from Head Office		-	-
Other assets		173,481	209,828
Total Assets		13,469,646	9,113,261
LIABILITIES			
Bills payable		960	960
Due to financial institutions		-	-
Deposits and other accounts			
Current accounts		1,863,420	1,453,763
Saving accounts		2,533,628	1,233,772
Term deposits		3,141,108	1,652,628
Deposits from financial institutions - remunerative		4,956,027	2,841,225
		12,494,183	7,181,388
Due to Head Office		272,971	1,339,874
Other liabilities		162,915	105,099
		<u>12,931,029</u>	<u>8,627,321</u>
NET ASSETS		<u>538,617</u>	<u>485,940</u>

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	2012	2011
	----- (Rupees in '000) -----	
REPRESENTED BY		
Islamic Banking Fund	681,000	681,000
Accumulated losses	<u>(194,579)</u>	<u>(199,658)</u>
	486,421	481,342
Surplus on revaluation of assets	<u>52,196</u>	<u>4,598</u>
	<u><u>538,617</u></u>	<u><u>485,940</u></u>
The profit and loss account of the Group's Islamic Banking Branches for the year ended December 31, 2012 is as follows:		
Return earned	1,266,785	885,293
Return expensed	<u>865,577</u>	<u>614,947</u>
	401,208	270,346
Provision against loans and advances - net	7,880	21,982
Reversal for diminution in value of investments - net	(37,216)	(27,384)
Charge / (reversal) against assets given on Ijarah	<u>12,626</u>	<u>(5,184)</u>
	<u>(16,710)</u>	<u>(10,586)</u>
Net return after provisions	417,918	280,932
Other Income		
Fee, commission and brokerage income	12,124	8,755
Dividend income	60,432	29,586
Income from dealing in foreign currencies	34,504	331
Gain on sale of securities - net	860	-
Other income	<u>14,906</u>	<u>5,694</u>
Total other income	<u>122,826</u>	<u>44,366</u>
	540,744	325,298
Other expenses		
Administrative expenses	516,659	304,458
Other provisions - net	<u>19,006</u>	<u>17,498</u>
Total other expenses	<u>535,665</u>	<u>321,956</u>
Net profit for the year	5,079	3,342
Accumulated losses brought forward	(199,658)	(203,000)
Accumulated losses carried forward	<u>(194,579)</u>	<u>(199,658)</u>
Remuneration to Shariah Advisor	<u>2,329</u>	<u>2,482</u>
46.1 Islamic financing and related assets		
Financings		
Murabaha	1,394,021	355,909
Ijarah	982,463	441,220
Musharaka	55,556	111,111
Diminishing Musharaka	192,924	67,051
Salam	347,171	-
Provision against financings	<u>(29,864)</u>	<u>(21,982)</u>
	2,942,271	953,309
Advances		
Advances and receivables against Ijarah	171,780	143,784
Advances for Diminishing Musharaka	-	11,080
Advances for Murabaha	17,531	31,039
Provision against advances for Murabaha	<u>(17,498)</u>	<u>(17,498)</u>
	171,813	168,405
Profit receivable against financings	<u>4,182</u>	<u>6,744</u>
	<u><u>3,118,266</u></u>	<u><u>1,128,458</u></u>

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
	----- (Rupees in '000) -----	
46.2 Charity Fund		
Opening balance	8,967	11,792
Addition during the year	959	3,825
Payments during the year	(3,450)	(6,650)
Closing balance	<u>6,476</u>	<u>8,967</u>

46.3 Disclosures for profit and loss distribution and pool management

UBL Ameen, the Mudarib, maintains one pool which accepts deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are in turn invested in Islamic modes of financing and investments including Murabaha, Ijarah, Diminishing Musharaka, Musharaka, Sukuk and Islamic mutual funds. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 45 to the financial statements.

The net return on the pool is arrived at after deduction of direct costs from gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the profit earned on depositors' funds and on the balance in the charity fund.

The Mudarib's share is deducted from this profit to calculate the distributable profit. The allocation to various deposit categories, including the charity fund, is determined by the amount invested in the pool as well as by the weightage assigned to the deposit categories, including the charity fund.

The Mudarib's share for the year ended December 31, 2012 is Rs.401 million (50% of distributable profit). The amount distributed back to depositors as Hiba is Rs.406 million (101% of Mudarib share). The profit rate earned on Islamic assets was 13.8% per annum and the profit rate paid on average deposits was 8.2% per annum.

	2012	2011
	----- (Rupees in '000) -----	
46.4 Deployment of Mudaraba based deposits by class of business		
Chemical and pharmaceuticals	349,539	155,810
Agri business	963,200	-
Textile	366,141	54,573
Sugar	124,311	-
Automobile	3,641	17,520
Financial	7,865,874	4,879,050
Food industries	189,329	156,062
Engineering	379,302	9,545
Glass and allied	274,667	11,080
Hotel	24,802	2,655
Plastic	67,560	-
Individuals	173,323	242,808
Others	372,603	606,019
	<u>11,154,292</u>	<u>6,135,122</u>

47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 24, 2013 has proposed a cash dividend in respect of 2012 of Rs. 3.5 per share (2011: Rs.6.0 per share). In addition, the Directors have also announced a bonus issue of Nil (2011: Nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2012 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2013.

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012****48. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on February 24, 2013 by the Board of Directors of the Group.

49. GENERAL**49.1 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.193 million has been reclassified from cash and balances with treasury banks to balances with other banks.
- Rs.2,839 million has been reclassified from balances with other banks in deposit accounts to lendings to financial institutions.
- Rs.890 million has been reclassified from other borrowings to non-remunerative deposits.

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

Atif R. Bokhari
President and
Chief Executive Officer

Rana Assad Amin
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	Total paid up value	Cost
		(Rupees)	(Rupees in '000)	
Held for trading securities				
Investments in ordinary shares				
Attock Refinery Limited	242,500	10.00	2,425	41,496
D.G. Khan Cement Limited	884,500	10.00	8,845	47,826
Engro Corporation Limited	190,000	10.00	1,900	18,829
Engro Foods Limited	250,000	10.00	2,500	23,473
Fauji Fertilizer Bin Qasim Limited	500,000	10.00	5,000	18,762
Nishat Mills Limited	278,500	10.00	2,785	17,939
Pakistan Petroleum Limited	30,000	10.00	300	5,268
Pakistan State Oil Company Limited	1,357,400	10.00	13,574	311,769
Pakistan Telecommunication Company Limited	722,500	10.00	7,225	12,927
				498,289
Investments in units of Mutual Funds				
Aberdeen Money Market Funds	313	162.88	50,982	50,866
				50,866
Available for sale securities				
Investments in ordinary shares				
Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills	4,787,000	10.00	47,870	52,444
Bank Al-Falah Limited	11,833,500	10.00	118,335	193,224
DP World	6,926	1,943.00	13,457	17,494
Engro Corporation Limited	4,700,000	10.00	47,000	490,687
Fatima Fertilizer Company Limited	10,208,000	10.00	102,080	261,280
Fauji Fertilizer Bin Qasim Limited	12,794,706	10.00	127,947	495,938
Fauji Fertilizer Company Limited	9,467,400	10.00	94,674	1,069,065
Hub Power Company Limited	18,588,000	10.00	185,880	759,243
International Steels Limited	2,700,000	10.00	27,000	37,989
Kot Addu Power Company Limited	12,753,419	10.00	127,534	565,638
Lucky Cement Limited	2,500,000	10.00	25,000	343,515
National Bank of Pakistan	12,650,000	10.00	126,500	594,576
National Refinery Limited	233,500	10.00	2,335	54,150
Nishat Chunian Power Limited	25,139,248	10.00	251,392	420,508
Pak Oilfields Limited	41,000	10.00	410	17,130
Pakistan Petroleum Limited	3,630,000	10.00	36,300	573,779
Pakistan Telecommunication Company Limited	4,150,000	10.00	41,500	98,047
PICIC Growth Fund	600	10.00	6	10
1st Fidelity Leasing Modaraba	997	10.00	10	26
				6,537,792
Investments in preference shares				
Masood Textile Mills Limited	11,000,000	10.00	110,000	110,000
JSC Alliance Bank	95,720	4,415.07	312,057	312,057
Chenab Limited	812,000	10.00	8,120	8,120
				430,177
Investments in units of mutual funds				
Meezan Islamic Income Fund	2,209,003	50.00	110,450	114,075
				114,075

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)		
Shareholding more than 10%							
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	(141,148)	1,000	5,500	31-Mar-12	Maj Gen M. Tauqeer Ahmad
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	N/A
Cinepax Limited	14.6%	5,037,200	7	10	50,372	30-Jun-11	Arif Baigmoamed
Shareholding upto 10%							
First Women Bank Limited	7.1%	7,698,441	16	10	21,100	31-Dec-11	Ms Shafqat Sultana
National Institutional Facilitation Technologies (Pvt.) Limited	8.4%	914,093	69	10	1,527	30-Jun-12	M. M. Khan
National Investment Trust Limited	8.3%	79,200	14,027	100	100	30-Jun-12	Wazir Ali Khoja
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	(2)	10	325	30-Jun-11	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	4	0	50,702	31-Dec-11	Mr.Salman Akhtar & Kewan Khawaja (Co Chief Executive)
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	N/A
SME Bank Limited	1.7%	3,975,003	8	10	26,950	31-Dec-11	Ihsan-UI-Haq Khan
SWIFT	0.0%	25	336,201	16,022	2,905	31-Dec-11	Gottfried Leibbrandt
MasterCard Incorporated	0.0%	461	4,494	0	0	31-Dec-11	Ajay Banga
The Benefit Company B.S.C ©	0.0%	80	-	25,763	2,061	-	Abdul Wahid Janahi
Tri Star Shipping Company	0.0%	15,000	-	-	250		N/A
					<u><u>243,176</u></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		

Available for sale securities
Government of Pakistan Sukuk

Government of Pakistan Ijarah Sukuk - V	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	100,497
Government of Pakistan Ijarah Sukuk - VI	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	650,000
Government of Pakistan Ijarah Sukuk - VII	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	1,508,383
Government of Pakistan Ijarah Sukuk - IX	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 10 bps	2,785,000
Government of Pakistan Ijarah Sukuk - X	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 10 bps	3,000,000
Government of Pakistan Ijarah Sukuk - XI	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 10 bps	500,000
Government of Pakistan Ijarah Sukuk - XII	At Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 10 bps	500,000
				9,043,880

Government of Pakistan - Eurobonds

Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	8,027,785
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,438,579
				9,466,364

Foreign bonds

DEWA - AL IJARA FRN 2013	At Maturity	Semi Annually	6M EIBOR + 125bps	7,934,895
Tamweel Sukuk FRN 2013	At Maturity	Quarterly	3M EIBOR + 225bps	3,967,453
Bank of Bahrain and Kuwait Bond - 2015	At Maturity	Semi Annually	4.500%	195,448
IPIC GMTN Ltd - 2020	At Maturity	Semi Annually	5.000%	78,797
DUBAI GOVT.-2015 EMTN	At Maturity	Semi Annually	6.700%	403,898
State of Qatar 2030	At Maturity	Semi Annually	9.750%	2,561,773
DEWA-2016	At Maturity	Semi Annually	6.375%	194,499
EMAAR - 2016	At Maturity	Semi Annually	8.500%	88,995
Qatar DIAR Finance QSC -2020	At Maturity	Semi Annually	5.000%	243,669
Republic of Srilanka - 2020	At Maturity	Semi Annually	6.250%	678,734
MDC-GMTN B.V. (MUBADALA 2021)	At Maturity	Semi Annually	5.500%	203,899
Socialist Republic of Vietnam - 2020	At Maturity	Semi Annually	6.750%	297,377
Government of Dubai - 2020	At Maturity	Semi Annually	7.750%	1,838,101
Kingdom of Bahrain - 2020	At Maturity	Semi Annually	5.500%	279,076
Access Bank Plc	At Maturity	Semi Annually	7.250%	818,104
AFK Sistema OAO	At Maturity	Semi Annually	6.950%	462,038
Afren Plc	At Maturity	Semi Annually	11.500%	1,055,213
African Bank Ltd	At Maturity	Semi Annually	8.125%	873,107
Alfaru	At Maturity	Semi Annually	8.000%	622,109
Axis Bank Ltd	At Maturity	Semi Annually	5.250%	602,493
Azerbaijan Railways	At Maturity	Semi Annually	8.250%	448,489
Baa UK	At Maturity	Semi Annually	7.125%	1,321,912
Bahrain Mumtalakat	At Maturity	Semi Annually	5.000%	243,697
Banco Daycoval	At Maturity	Semi Annually	6.250%	508,780
Banco Industrial	At Maturity	Semi Annually	5.250%	392,970
Banco Industrial	At Maturity	Semi Annually	5.500%	487,099
Bank of Ceylon	At Maturity	Semi Annually	6.875%	945,507
Bank of Georgia	At Maturity	Semi Annually	7.750%	463,937
Bolivia Government	At Maturity	Semi Annually	4.875%	609,866
British Airways	At Maturity	Semi Annually	8.750%	521,391
Central Bank Tennessee	At Maturity	Annually	4.500%	633,269
E&S African Bank	At Maturity	Semi Annually	6.875%	496,331
Eastern African	At Maturity	Semi Annually	6.875%	313,627

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		
Egypt Republic	At Maturity	Semi Annually	5.750%	457,044
Emaar Sukuk Ltd	At Maturity	Semi Annually	8.500%	501,226
Georgian Railway	At Maturity	Semi Annually	9.875%	466,825
GTB Finance BV	At Maturity	Semi Annually	7.500%	317,611
Halk Bank	At Maturity	Semi Annually	4.875%	49,376
Halyk Bank	At Maturity	Semi Annually	7.125%	325,789
Halyk Savings Bank of Kazakhstan	At Maturity	Semi Annually	7.250%	105,753
IDBI Bank Ltd	At Maturity	Semi Annually	4.375%	592,707
Indian Overseas Bank	At Maturity	Semi Annually	4.625%	192,439
Jafk Sukuk Ltd	At Maturity	Semi Annually	7.000%	538,660
Jaguar Land Rover	At Maturity	Semi Annually	8.125%	1,044,051
Kingdom of Bahrain	At Maturity	Semi Annually	6.125%	649,136
Kingdom of Morocco	At Maturity	Annually	4.500%	776,556
Kuwait Projects	At Maturity	Semi Annually	8.875%	325,435
Lafarge S.A.	At Maturity	Annually	8.750%	740,021
Lippo Karawaci	At Maturity	Semi Annually	7.000%	409,142
Macquarie Group	At Maturity	Semi Annually	7.300%	309,762
Mongolian Mg Co	At Maturity	Semi Annually	8.875%	455,892
National Bank of Egypt	At Maturity	Semi Annually	5.250%	434,805
Republic of Srilanka	At Maturity	Semi Annually	6.250%	534,929
Republic of Angola	At Maturity	Quarterly	7.000%	541,440
Republic of Ghana	At Maturity	Semi Annually	8.500%	573,104
Republic of Zambia	At Maturity	Semi Annually	5.375%	643,017
State Savings	At Maturity	Semi Annually	8.250%	334,638
Tameel Funding	At Maturity	Semi Annually	5.154%	620,545
Trade and Development Bank of Mongolia	At Maturity	Semi Annually	8.500%	445,501
Tullett Group	At Maturity	Annually	7.040%	653,575
Tupras A.S.	At Maturity	Semi Annually	4.125%	288,373
UK Government	At Maturity	Semi Annually	1.750%	2,675,720
Union Bank	At Maturity	Semi Annually	4.625%	590,820
Vietin Bank	At Maturity	Semi Annually	8.000%	436,825
Vimpelcom	At Maturity	Semi Annually	6.255%	464,682
Zoomlion China	At Maturity	Semi Annually	6.875%	443,192
Turkiye Garanti	At Maturity	Quarterly	2.819%	275,690
Morgan Stanley	At Maturity	Quarterly	0.651%	414,316
Santan Consumer Finance	At Maturity	Quarterly	1.786%	351,533
European Investment Bank	At Maturity	Quarterly	0.598%	938,895
Peugot Finance	At Maturity	Quarterly	2.254%	124,942
				50,830,519

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		
Held to maturity securities				
Government of Pakistan Sukuk				
Government of Pakistan Sukuk - VII	At Maturity	Half Yearly	Cut off yield of 6M T-Bills plus 0 bps	300,000
				300,000
Government of Pakistan - Euro bonds				
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Half Yearly	6.875%	1,626,312
				1,626,312
Government of Pakistan - Guaranteed Bonds				
WAPDA Bonds - Sukuk II	At Maturity	Half Yearly	6M KIBOR minus 25bps	42,654
				42,654
Sukuks				
Security Leasing Corporation	Monthly	Nil	Nil	26,138
B.R.R Guardian Modaraba	Monthly	Monthly	Deferred interest instalment @ 1 month KIBOR	94,688
K.S. Sulemanji - Diminishing Musharika	Quarterly	Quarterly	Avg. of 3 months KIBOR + 140 bps	170,151
Sitara Energy Limited	Half Yearly	Half Yearly	6 Month KIBOR plus 1.15%	52,841
Sitara Peroxide Limited	Monthly	Monthly	1 Months KIBOR plus 1%	264,733
Pakistan International Airlines Limited	Half Yearly	Half Yearly	6 month KIBOR plus 1.75%	890,000
				1,498,551
Foreign securities				
JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Bi-annually	10.500%	210,727
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	N/A	N/A	307,517
Credit Suisse	At Maturity	Annually	4.000%	10,623
Zurich Insurance	At Maturity	Annually	4.250%	107,770
State Bank of India	At Maturity	Annually	3.375%	213,244
Sunrise Communications	At Maturity	Annually	7.000%	111,583
				961,464

4) Particulars of Debentures

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

Annexure 'A' as referred to in note 9.8 of Group's Consolidated financial statements
5) Particulars of investment in sukuk

Investee	No. of Certificates held	Paid up value per certificate (Rupees)	Total Paid up value (Rupees in '000)	Outstanding Amount	Name of Chief Executive
Held for trading					
Maple Leaf Sukuk	9,108	5,000	45,540	26,208	Sayed Saigol
				26,208	

6) Particulars of investments in term finance certificates

Investee	No. of Certificates held	Paid up value per certificate (Rupees)	Total Paid up value (Rupees in '000)	Outstanding Amount	Name of Chief Executive
Held for trading					
Worldcall Telecom Ltd	4,855	5,000	24,275	8,595	Babar Ali Syed
Engro Fertilizer Ltd	5,000	5,000	25,000	24,672	Muhammad Aliuddin Ansari
Pakistan Mobile Communication Ltd	10,000	5,000	50,000	49,178	Rashid Khan
Standard Chartered Bank	2,000	5,000	10,000	10,000	Mohsin Ali Nathani
Bank Al Falah Limited	2,000	5,000	10,000	10,000	Atif Bajwa
				102,445	
Unlisted - available for sale					
Pakistan International Airlines Corporation TFC II	1,700	5,000	8,500	4,247	Capt. Nadeem Khan Yousufzai
Engro Corporation Limited	140,000	5,000	700,000	700,214	Muhammad Aliuddin Ansari
				704,461	
Listed - available for sale					
Allied Bank Limited TFC-II	53,001	5,000	265,005	268,599	Khalid A. Sherwani
Azgard Nine Limited	60,000	5,000	300,000	97,615	Ahmed H. Shaikh
Azgard Nine Limited	12,944	5,000	300,000	64,720	Ahmed H. Shaikh
Bank Al Falah Limited TFC III	26,200	5,000	131,000	87,642	Atif Bajwa
Bank Al Habib Limited TFC II	44,766	5,000	223,830	225,479	Abbas D. Habib
Bank Al Habib Limited TFC III	46,000	5,000	230,000	229,946	Abbas D. Habib
Engro Corporation Limited TFC III	22,562	5,000	112,810	112,926	Muhammad Aliuddin Ansari
Faysal Bank Limited TFC II	46,000	5,000	230,000	229,816	Naved A. Khan
				1,316,743	
Unlisted - held to maturity					
Pakistan International Airlines Corporation	410,567	5,000	2,052,835	2,042,700	Capt. Nadeem Khan Yousufzai
Orix Leasing Pakistan Limited	3,500	100,000	350,000	138,333	Teizoon Kisat
Al Abbas Sugar Mills Limited	12,000	5,000	60,000	12,000	Shunaid Qureshi
Security Leasing Corporation Limited	40,000	5,000	200,000	36,901	Mohammad Khalid Ali
Askari Commercial Bank Limited - I	83,525	5,000	417,625	416,412	Mohammad Rafiquddin Mehkari
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Muhammad Umer Baig
Bachani Sugar Mills Limited	-	-	-	18,516	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
Regency Textile Limited	40	287,715	11,509	6,165	M. Iqtidar Pervaiz
Tharparkar Sugar Mills	1	8,770,219	8,770	9,266	Mr Intiaz Ali Shah
				2,695,069	
Listed - held to maturity					
Allied Bank Limited TFC II	129,397	5,000	646,985	645,834	Khalid A. Sherwani
Azgard Nine Limited	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
Standard Chartered Bank	75,000	5,000	375,000	375,000	Mohsin Ali Nathani
Faysal Bank Limited	46,000	5,000	110,000	147,338	Naved A. Khan
Soneri Bank Limited	999	5,000	4,995	2,492	Muhammad Aftab Manzoor
Pak Arab Fertilizer (Private) Limited	30,000	5,000	150,000	45,000	Fawad Ahmad Mukhtar
				1,276,779	

7) 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
Morgah Valley Limited	16	29,250	468,000	437	Air Marshal (Retd.) A. Rahim Kha
Zamrock Fibers Glass Limited	12	32,833	394,000	2,358	-
				4,939	



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

8) Quality of investments classified as available for sale (AFS)

Investee	Market Value (Rupees in '000)	Credit Rating
Investment in ordinary shares		
Agritech Limited	164,397	D
Aisha Steel Mills Limited	50,982	A-
Bank Alfalah Limited	199,039	AA
Engro Corporation Limited	432,588	A
Fatima Fertilizer Company Limited	269,491	A+
Fauji Fertilizer Bin Qasim Limited	493,748	Not available
Fauji Fertilizer Company Limited	1,109,011	Not available
Hub Power Company Limited	840,921	AA+
International Steels Limited	32,670	Not available
Kot Addu Power Company Limited	629,891	AA+
Lucky Cement Limited	378,850	Not available
National Bank of Pakistan	624,784	AAA
National Refinery Limited	49,432	AAA
Nishat Chunian Power Limited	528,176	A
Pak Oilfields Limited	17,939	Not available
Pakistan Petroleum Limited	641,748	Not available
Pakistan Telecommunication Company Limited	72,002	Not available
DP World	7,872	BBB-
PICIC Growth Fund	9	
	6,543,550	
Investments in preference shares		
Masood Textile Mills Limited	110,000	Not available
JSC Alliance Bank	312,057	Not available
	422,057	
Investments in units of mutual funds		
Meezan Islamic Income Funds	112,196	A-(f)
	112,196	



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

8) Quality of investments classified as available for sale (AFS)

Investee	Cost	Credit Rating
(Rupees in '000)		
Investment in unlisted shares		
Shareholding more than 10%		
Pakistan Agricultural Storage & Services Corporation Limited	5,500	Not available
Cinepax Limited	50,372	Not available
World Bridge Connect Inc.	77,606	Not available
Shareholding upto 10%		
First Women Bank Limited	21,100	A-
National Institutional Facilitation Technologies (Pvt.) Limited	1,526	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-
News-VIS Credit Information Services (Pvt.) Limited	325	Not available
MasterCard Incorporated	0	Not available
The Benefit Company B.S.C ©	2,061	Not available
Tri Star Shipping Company	250	
	243,176	



Particulars	Market Value	Credit Rating
(Rupees in '000)		
Federal Government Securities		
Market Treasury Bills	123,647,225	Unrated - Govt Securities
Pakistan Investment Bonds	66,020,408	Unrated - Govt Securities
	189,667,633	
Government of Pakistan Islamic Bonds		
Government of Pakistan Ijarah Sukuk	9,119,005	B-
	9,119,005	
Government of Pakistan - Euro bond		
Islamic Republic of Pakistan - 2016 - Euro Bond	1,466,445	B-
Islamic Republic of Pakistan - 2017 - Euro Bond	8,387,761	B-
	9,854,206	
Foreign bonds		
DEWA Sukuk - 2013	7,944,814	Baa3
State of Qatar-2030	2,958,621	Aa2
Government of Dubai 2015	444,785	Not available
Qatari Diar QSC 2020	284,431	Aa2
DEWA - 2016	218,567	Baa3
IPIC GMTN Limited -2020	90,407	Aa3
TAMWEEL FRN 2013	3,965,073	Baa3
EMAAR 2016	101,260	B1
Bank of Bahrain and Kuwait 2015	200,721	Baa2
Republic of Srilanka - 2020	718,877	B1
MDC-GMTN B.V. (MUBADALA 2021)	230,840	Aa3
Socialist Republic of Vietnam - 2020	317,986	B2
Kingdom of Bahrain 2020	314,660	BBB
Government of Dubai 2020	2,033,708	Not available
Access Bank Plc	316,577	BB-
Access Bank Plc	158,289	B
Access Bank Plc	316,577	BBB-
Access Bank Plc	52,763	B-
AFK Sistema OAO	473,551	B+
Afren Plc	530,199	BB-
Afren Plc	530,199	BBB+
African Bank Ltd	654,247	BBB+
African Bank Ltd	218,082	AAA
Alfaru	107,452	BB-
Alfaru	214,903	BB+
Alfaru	322,355	B
Axis Bank Ltd	311,876	B
Axis Bank Ltd	311,221	BB-
Azerbaijan Railways	125,404	BB-
Azerbaijan Railways	54,511	B
Azerbaijan Railways	218,043	B+



Particulars	Market Value	Credit Rating
	(Rupees in '000)	
Azerbaijan Railways	59,962	BBB-
Baa UK	174,419	B
Baa UK	523,256	B+
Baa UK	478,292	BB-
Baa UK	159,431	BBB
Bahrain Mumtalakat	252,406	BB+
Banco Daycoval	317,587	BB-
Banco Daycoval	211,725	BBB-
Banco Industrial	100,597	AAA
Banco Industrial	301,792	B+
Banco Industrial	49,881	BBB-
Banco Industrial	349,170	B+
Banco Industrial	92,956	BB+
Bank of Ceylon	634,276	BB
Bank of Ceylon	317,138	AAA
Bank of Georgia	464,426	BBB-
Bolivia Government	576,527	B-
Bolivia Government	19,218	BB+
British Airways	269,332	B
British Airways	179,555	BB-
British Airways	89,777	BB
Central Bank Tennessee	254,032	B+
Central Bank Tennessee	381,048	BB-
E&S African Bank	522,838	BBB-
Eastern African	209,135	BB
Eastern African	104,568	AAA
Egypt Republic	244,426	B
Egypt Republic	195,541	B+
Emaar Sukuk Ltd	512,499	BB+
European Investment Bank	470,648	B
European Investment Bank	471,549	CCC+
Georgian Railway	129,031	B+
Georgian Railway	112,201	BB-
Georgian Railway	224,401	BBB-
GTB Finance BV	320,731	B+
Halk Bank	52,942	BB-
Halyk Bank	108,313	B
Halyk Bank	216,731	AAA
Halyk Savings Bank of Kazakhstan	108,323	B
IDBI Bank Ltd	299,667	BB
IDBI Bank Ltd	299,667	BB-
Indian Overseas Bank	191,661	BBB
Jafk Sukuk Ltd	168,720	BB-
Jafk Sukuk Ltd	393,680	BB
Jaguar Land Rover	528,551	BB
Jaguar Land Rover	352,368	BBB-
Jaguar Land Rover	176,184	BB+



Particulars	Market Value	Credit Rating
	(Rupees in '000)	
Kingdom of Bahrain	662,957	BB-
Kingdom of Morocco	330,538	B-
Kingdom of Morocco	132,215	BB
Kingdom of Morocco	330,538	BB-
Kuwait Projects	228,822	BBB
Kuwait Projects	114,411	BB-
Lafarge S.A.	474,939	BB-
Lafarge S.A.	284,963	B
Lippo Karawaci	411,839	BB-
Macquarie Group	323,348	BB+
Mongolian Mg Co	480,539	BB
Morgan Stanley	253,851	BBB-
Morgan Stanley	173,080	BBB
National Bank Of Egypt	347,950	BBB-
National Bank Of Egypt	99,414	BB+
Peugot Finance	126,270	BB+
Republic of Srilanka	323,714	BBB-
Republic of Srilanka	213,557	BBB
Republic of Angola	542,432	B+
Republic of Ghana	343,152	BBB
Republic of Ghana	68,630	BBB+
Republic of Ghana	160,137	BB
Republic of Zambia	443,905	BB+
Republic of Zambia	197,291	CCC+
Santan Consumer Finance	356,912	BB+
State Savings	331,534	BB-
Tameel Funding	628,785	BB-
Trade and Development Bank of Mongolia	399,634	BBB+
Trade and Development Bank of Mongolia	49,954	BB
Tullett Group	333,090	BB-
Tullett Group	333,090	B
Tupras A.S.	292,098	BB-
Turkiye Garanti	293,169	BB-
UK Government	494,782	B
UK Government	784,699	BBB-
UK Government	1,412,458	BBB
Union Bank	610,801	BB-
Vietin Bank	148,805	BB-
Vietin Bank	99,203	BBB
Vietin Bank	99,203	B+
Vietin Bank	99,203	BBB-
Vimpelcom	478,799	BB-
Zoomlion China	443,051	BBB-
	52,169,940	



Particulars	Market Value	Credit Rating
(Rupees in '000)		
Term finance certificates		
Listed		
Allied Bank Limited TFC-II	269,123	AA
Allied Bank Limited TFC-II	5	AA-
Azgard Nine Limited	64,720	Not available
Azgard Nine Limited	97,614	D
Bank Al Falah Limited TFC II	87,604	AA-
Bank Al Habib Limited TFC II	230,225	AA
Bank Al Habib Limited TFC III	257,061	AA
Engro Corporation Limited	109,857	A
Faysal Bank Limited	235,346	AA-
	1,351,555	
Unlisted		
Pakistan International Airlines Corporation TFC II	4,247	Not available
Engro Corporation Limited TFC III	700,214	A
	704,461	



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

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

Disposals of operating fixed assets during the year 2012

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	20,332	19,043	1,289	1,846	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	98,923	97,228	1,695	9,528	Auction	Various
Vehicles						
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
Mercedes	6,850	6,165	685	1,370	Buy back	Atif R. Bokhari
Mercedes S-350/M2006	8,824	8,481	343	3,669	Negotiation	Salama Insurance
T/Corolla	1,502	293	1,209	1,300	Insurance Claim	M/s UBL Insurers Ltd
S/Cultus	892	94	798	799	Buy back	Syed Tasnim UI Hassan
S/Cultus	893	104	789	750	Insurance Claim	M/s UBL Insurers Ltd.
T/Corolla	1,389	792	597	950	Insurance Claim	M/s UBL Insurers Ltd.
T/Corolla	1,502	501	1,001	1,250	Insurance Claim	M/s UBL Insurers Ltd.
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
T/Corolla	849	764	85	-	Auction	Zahid Qadri
S/Cultus	636	439	197	575	Insurance Claim	M/s UBL Insurers Ltd
S/Cultus	560	504	56	168	Buy back	Zahid Qadri
S/Cultus	620	558	62	186	Buy back	Adam Khan
S/Cultus	620	558	62	186	Buy back	Zahid Qadri
S/Cultus	555	500	55	167	Buy back	Riza Ahmed
S/Cultus	555	500	55	167	Buy back	M. Azam
H/accord	2,410	2,169	241	241	Buy back	Muhammad Asghar
T/Corolla	879	791	88	750	Insurance Claim	M/s Takaful Insurance Co
Nissan Altima 2006	1,812	1,741	71	397	Negotiation	Mr.Lalji Premji
Nissan Altima 2006	1,812	1,741	71	397	Negotiation	Mr.Lalji Premji
Toyota Corolla	1,227	1,180	47	340	Auction	Ajmal Pervez
Liana 1.6	1,016	820	196	209	Buy back	Muhammad Shafi
S/Cultus	991	818	173	1,030	Auction	Waseem Raza and Car Selection
T/Corolla	600	587	13	623		Waseem Raza and Car Selection
Cycles / bicycles	8	8	-	-	Write-Off	
Various	249	36	213	200	Insurance Claim	M/s UBL Insurers Ltd
	37,251	30,144	7,107	15,724		
Ijarah Assets						
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
Commercial Ijarah - Ihsan Sons	26,211	24,900	1,311	1,311	Buy Back	Ihsan Sons
Commercial Ijarah - Inter Market Knit	1,938	388	1,550	1,721	Buy Back	Inter Market Knit
Commercial Ijarah - M/s Atlas Honda Limited	28,438	17,635	10,803	18,480	Buy Back	M/s Atlas Honda Limited
Commercial Ijarah - Masood Textile	22,128	19,915	2,213	2,213	Buy Back	Masood Textile
Commercial Ijarah - National Foods Limited	3,517	1,288	2,229	2,506	Buy Back	National Foods Limited
IMV	3,045	1,922	1,123	1,102	Buy back	Khurram Hussain
Civic I-Vtech Mt	1,442	748	694	694	Buy back	Adnan Atif
Corolla 2.0 D Saloon	1,417	575	842	1,004	Buy back	Muhammad Shuaib
Toyota Premio	1,303	675	628	510	Buy back	Taqi Muhammad
Corolla Altis M/T	1,301	847	454	703	Buy back	M.Babar Sharif
Corolla 2.0 D Se	1,215	792	423	429	Buy back	Syed Haider Absas Rizvi
City Ids-I Mt (Stand	1,118	54	1,064	155	Buy back	Muhammad Abid Razzaqi
City Steermatic V Te	1,078	653	425	597	Buy back	Hassun Ali Shareef
Lancer 1.3 Glx (5-Sp	1,059	683	376	381	Buy back	Syed Ijaz Ahmed
Corolla Xli	1,054	608	446	779	Auction	Danish Alvi
Corolla Gli	1,038	527	511	503	Buy back	Tariq

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

Disposals of operating fixed assets during the year 2012

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Corolla Xli	1,004	516	488	470	Buy back	Wajid Ali Memon
Corolla Xli	974	445	529	659	Buy back	Syed Mubeen Ali Shah
Corolla Xli	951	478	473	445	Buy back	Muhammad Tanwir Alam
Corolla Xli	950	477	473	445	Buy back	Shehla Imran
City Ids-I Mt (Stand	948	480	468	439	Buy back	Waisq Warsi
City Ids-I Mt (Upgra	948	656	292	264	Buy back	Abdul Razzak
Toyota Belta	944	553	391	424	Buy back	Abdul Rehman
Liana 1.3 Rxi Cng	934	564	370	343	Buy back	Muhammad Kamran Syed
Liana 1.3 Rxi Cng	926	555	371	343	Buy back	Muhammad Arif Raza
City Ids-I Mt (Stand	921	552	369	341	Buy back	Syed Ghazanfar Ali
Corolla Gli	918	381	537	516	Buy back	Babar Ali Humza
City Ids-I Mt (Stand	912	235	677	255	Buy back	Nadeem Gulzar
City Ids-I Mt (Stand	912	643	269	255	Buy back	Nasir Gulzar
Liana 1.3 Rxi Cng	894	453	441	413	Buy back	Sajjad Hussain Mahesri
Cultus Vxr Cng	789	538	251	271	Buy back	Rafi Ul Qamar
Vitz	769	435	334	455	Buy back	Kamran Ayub
Cultus Vxr Cng	767	384	383	481	Buy back	Adil Mirza
Cultus Vxr Cng	759	345	414	457	Buy back	Nadia Zeeshan
Cultus Vxr Cng	736	409	327	409	Buy back	Ghulam Abbas
Shehzore Pickup	734	445	289	292	Buy back	Junaid Iqbal
Shehzore Pickup	730	463	267	281	Buy back	Shakeel
Vitz	729	461	268	322	Buy back	Mohammad Arif Zakaria
Cultus Vxl Cng	714	353	361	431	Insurance Claim	Pak Kuwait Takaful Co. Ltd
City Ids-I Mt (Stand	706	448	258	323	Buy back	Muhammad Soomer Panhwar
Alto Vxr Cng	695	326	369	411	Buy back	Abdul Majeed Paracha
Cultus Vxl	695	367	328	365	Buy back	Adeel Ahmed
Alto Vxr Cng	694	387	307	356	Buy back	Asheer Iqbal Khan
Cultus Vxr Cng	685	357	328	331	Buy back	Mumtaz Hasan
Cultus Vxr Cng	685	379	306	315	Buy back	Salah-Ud-Din
Cultus Vxr Cng	683	400	283	290	Buy back	Mohammad Faisal Siddiqui
Cultus Vxr Cng	683	367	316	406	Buy back	Wasique Ali Pirzada
Ravi Cng	670	68	602	612	Insurance Claim	Pak Qatar Takaful Co. Ltd
Cultus Vxr Cng	658	336	322	316	Buy back	Mirza Azeem Baig
Ravi Cng	656	110	546	649	Auction	Danish Alvi
Alto Vxr Cng	654	286	368	430	Buy back	Javaid Akhtar Siddiqi
Cultus Vxr Cng	651	224	427	545	Buy back	Zakir Hussain Shah
Alto Vxr Cng	649	321	328	381	Buy back	Kamran Haider
Cultus Vxr Cng	638	322	316	288	Buy back	K.S. Karamat Ullah
Cuore Cx At	632	212	420	504	Buy back	Maqbool Ahmed
Alto Vxr Cng	632	212	420	504	Buy back	Safdar Hussain
Sanro Gs	630	255	375	389	Buy back	Shahina Midhat
Alto Vxr Cng	624	325	299	431	Buy back	Murtaza Abbas Manekia
Mehran Vxr Cng	603	-	603	592	Buy back	Kamran Muhammad Elyas
Alto Vxr Cng	592	338	254	224	Buy back	Muhammad Rizwan
Alto Vxr Cng	582	263	319	452	Buy back	Azam Riaz Siddiqui
Alto Vxr Cng	573	264	309	302	Buy back	Muhammad Waqas Jafri
Alto Vxr Cng	561	279	282	254	Buy back	Muhammad Asif
Alto Vxr Cng	561	278	283	254	Buy back	Nafees Akhtar
Alto Vxr Cng	552	254	298	320	Buy back	Zaheer Uddin Qamar
Alto Vxr Cng	543	269	274	268	Buy back	Syed Adeel Hussain
Cuore Cx Eco	541	217	324	341	Buy back	Safdar Hussain Bhatti
Cultus Vxl	538	268	270	289	Buy back	Abdul Sami
Mehran Vxr Cng	533	273	260	130	Buy back	Sajjid Kamran
Cuore Cl Eco	482	171	311	344	Buy back	Abdul Aleem

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

Disposals of operating fixed assets during the year 2012

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Corolla Xli	993	825	168	140	Buy back	Muhammad Shoaib Khan
Corolla Xli	985	779	206	204	Buy back	Sheikh Mohammad Rizwan
Corolla Xli	979	780	199	461	Insurance Claim	Pak Kuwait Takaful Co. Ltd
Corolla Xli	976	765	211	183	Buy back	Zia-Ur-Rehman
Corolla Gli	1,049	848	201	201	Buy back	Rehan Rahat Khan
City Vario Cvt (Stan	966	802	164	136	Buy back	Nadeem Ansari
Liana 1.6	961	800	161	134	Buy back	Dada Bhoy Rashid Ahmed
Corolla Xli	960	798	162	134	Buy back	Imran Qureshi
City Ids-I Mt (Stand	912	756	156	128	Buy back	Mustafa Waris
City Ids-I Mt (Stand	911	755	156	128	Buy back	Asim Siddique
City Ids-I Mt (Stand	911	766	145	132	Buy back	Syed Ilyas Ali Naqvi
City Ids-I Mt (Stand	907	684	223	195	Buy back	Alamgir Alam
Cultus Vxr Cng	878	697	181	165	Buy back	Turhan Baigh Muhammad
Shehzore Pickup	742	493	249	272	Buy back	Haji Sabir Hussain Bhatti
Shehzore Pickup	709	574	135	135	Buy back	Irfan Jaili Qazi
Cultus Vxr Cng	692	503	189	245	Buy back	Qamar Khan
Cultus Vxr Cng	689	472	217	228	Buy back	Abdul Wahab
Platz	687	499	188	160	Buy back	Syed Zahed Rasheed
Cultus Vxr Cng	686	563	123	95	Buy back	Nooruddin
Cultus Vxr Cng	686	453	233	228	Buy back	Rashid Ahmed
Alto Vxr Cng	675	436	239	311	Buy back	Syed Adil Sohail
Cultus Vxr Cng	667	477	190	190	Buy back	Muhammad Saeed
Alto Vxr Cng	662	484	178	230	Buy back	Gul Faraz Khan
Mehran Vxr Cng	658	480	178	150	Buy back	Mohammad Ikram
Cultus Vxr Cng	658	530	128	106	Buy back	Shafaat Hussain Durrani
Cultus Vxr Cng	657	522	135	126	Buy back	Khurram Abbasi
Cultus Vxl	654	471	183	167	Buy back	Danish Fareed
Cultus Vxr Cng	653	518	135	163	Buy back	Muhammad Imran
Alto Vxr Cng	644	402	242	268	Buy back	Shahid Akhtar Alvi
Alto Vxr Cng	631	435	196	172	Buy back	Waheed Murad
Cultus Vxr	630	487	143	115	Buy back	Anita Ali
Cultus Vxr Cng	624	378	246	315	Buy back	Atif Sharif
Alto Vxr Cng	609	482	127	112	Buy back	Shamreena Hashmi
Alto Vxr Cng	602	373	229	241	Buy back	Rabbia Khanum
Alto Vxr Cng	592	484	108	94	Buy back	Tassadaq Abbas
Bolan Cng Std	589	357	232	516	Buy back	Muhammad Aslam
Alto Vxr Cng	589	433	156	340	Buy back	Sami Ur Rehman
Alto Vxr Cng	586	391	195	217	Buy back	Ghani Rehman
Alto Vxr Cng	585	349	236	273	Buy back	Danish Hameed Khan
Cuore Cx Eco	585	464	121	115	Buy back	Kashan Shahid
Alto Vxr Cng	583	349	234	268	Buy back	Muhammad Salman Yar Khan
Alto Vxr Cng	581	368	213	241	Buy back	Syed Mazahir Hussain
Alto Vxr Cng	581	427	154	169	Buy back	Zehra Imtiaz
Alto Vxr Cng	580	412	168	202	Buy back	Abdul Sattar
Alto Vxr Cng	578	478	100	79	Buy back	Arshad Nadeem
Alto Vxr Cng	574	468	106	78	Buy back	Zakir Ali
Alto Vxr Cng	573	405	168	215	Buy back	Malik Muhammad Irfan
Alto Vxr Cng	571	395	176	191	Buy back	Momeet Iqbal
Alto Vxr Cng	569	465	104	76	Buy back	Mohammad Sohail Qureshi
Alto Vxr Cng	568	357	211	232	Buy back	M Rafiq Kasmani
Cuore Cx Eco	566	335	231	238	Buy back	Asma Talat
Alto Vxr Cng	566	351	215	253	Buy back	Imran Ali
Alto Vxr Cng	565	416	149	128	Buy back	S. Arif Raza Zaidi
Alto Vxr Cng	565	442	123	103	Buy back	Maqsood Hussain
Alto Vxr Cng	564	397	167	185	Buy back	Iftikhar Ahmed
Bolan Cng Std	563	442	121	105	Buy back	Muhammad Shoaib
Alto Vxr Cng	562	457	105	76	Buy back	Nasir Abbas
Alto Vxr Cng	561	406	155	138	Buy back	Ashiq Ali Khan
Alto Vxr Cng	560	430	130	102	Buy back	Bharat Lal
Cuore Cx Eco	559	324	235	250	Buy back	Shamsa Khanam

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

Disposals of operating fixed assets during the year 2012

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Cuore Cx Eco	558	456	102	75	Buy back	Maqbool Ahmed
Cuore Cx Eco	549	372	177	149	Buy back	Saif-Ur-Rahman Gazdhar
Cuore Cx At	549	448	101	118	Buy back	Khalid Khan
Cuore Cl Std	548	350	198	213	Buy back	Shahid Roofi Khan
Alto Vxr Cng	546	468	78	78	Buy back	Khalid Mehmood Khan
Alto Vxr Cng	546	467	79	78	Buy back	Shahid Ali Khan
Alto Vxr Cng	546	332	214	208	Insurance Claim	Pak Kuwait Takaful Co. Ltd
Cuore Cx Eco	544	439	105	76	Buy back	Dr.Mukesh Kumar
Alto Vxr Cng	543	457	86	92	Buy back	Ilyas Farooq
Cuore Cx Eco	541	425	116	99	Buy back	Sunita Sheral
Cuore Cx Eco	541	371	170	149	Buy back	Farrukh Saeed
Cuore Cx At	540	329	211	242	Buy back	Noman Ali
Alto Vxr Cng	536	416	120	135	Buy back	Syed Rizwan Hussain Jafery
Cuore Cx At	533	354	179	196	Buy back	Farah Shaukat
Cuore Cx Eco	531	407	124	96	Buy back	Zaibunnisa
Cuore Cx At	513	347	166	179	Buy back	Muhammad Adnan Siddiqui
Bolan Cng Std	504	375	129	115	Buy back	Waseem Mian
Bolan Cng A-C	499	421	78	71	Buy back	Waqas Arshad
Bolan Cng A-C	499	294	205	214	Buy back	Syed Mohammad Faisal
Bolan Cng Std	479	251	228	200	Buy back	Mohammad Mujahid
Bolan Cng Std	479	368	111	84	Buy back	Rashid Saeed
Alto Vx Cng	479	387	92	64	Buy back	Ghulam Hanif
Cuore Cx Eco	477	377	100	100	Buy back	Muhammad Farhan
Cultus Vxl	469	311	158	158	Buy back	Syed Muhammad Kazim Kazmi
Mehran Vxr Cng	466	238	228	301	Buy back	Muhammad Aqleem
Mehran Vxr Cng	461	267	194	191	Buy back	Urooj Uddin Mahmood
Cultus Vxr	460	250	210	222	Buy back	Ali Muhammad Memon
Bolan Cng Std	460	371	89	61	Buy back	Mohd Furqan Jamil
Ravi Cng	459	371	88	60	Buy back	Saima Haseeb
Bolan Cng Std	459	329	130	102	Buy back	S M Saleem
Alto Vx	457	300	157	152	Buy back	Rizwan Ul Haq Faisal
Cuore Cl Eco	454	303	151	151	Buy back	Aziz
Ravi Cng	451	286	165	191	Buy back	Manzoor Hussain
Ravi Cng	450	354	96	80	Buy back	Noor Muhammad
Mehran Vxr Cng	449	254	195	211	Buy back	Syed Haseeb Ahmed
Mehran Vxr Cng	444	317	127	98	Buy back	Syed Zeeshan Ali Jafari
Bolan Cng Std	443	374	69	63	Buy back	Rasheed Ahmed Siddiqui
Bolan Cng Std	442	316	126	125	Buy back	Muhammad Saleem
Bolan Cng Std	441	372	69	63	Buy back	Gulam Haider
Mehran Vxr Cng	441	354	87	59	Buy back	Muhammad Zeeshan
Mehran Vxr Cng	438	252	186	202	Buy back	Maqsood Aijaz Kehar
Mehran Vx Cng	432	350	82	82	Buy back	Muhammad Waqas Khan
Cuore Cl Std	423	205	218	287	Buy back	Tauseef Ahmed Siddiqui
Santro Club Gv	418	272	146	116	Buy back	Syeda Sadia Habib
Mehran Vx Cng	413	336	77	76	Buy back	Mohammad Aslam Abdul Sattar
Mehran Vx Cng	412	276	136	109	Buy back	Mehboob Ali
Mehran Vx Cng	406	325	81	53	Buy back	Syed Wajahat Hussain Hashmi
Mehran Vx Cng	405	230	175	175	Buy back	Muhammad Shahbaz Alam
Mehran Vx Cng	403	232	171	178	Buy back	Dilip Kumar
Ravi Cng	403	306	97	69	Buy back	Gohar Abbas
Ravi Cng	396	268	128	140	Buy back	Syed Saleem
Mehran Vx Cng	388	231	157	153	Buy back	Sami-Ul-Bari
Mehran Vx Cng	385	276	109	109	Buy back	Afaq Hussain
Mehran Vx Cng	378	320	58	53	Buy back	Mohammad Farrukh Khan
Mehran Vx Cng	378	284	94	89	Buy back	Nuzhat Nizamuddin
Mehran Vx	375	244	131	153	Buy back	Syed Faiz Ul Haque
Ravi Cng	371	302	69	69	Buy back	Muhammad Nadeem Ahmed Khan
Mehran Vxr	334	254	80	57	Buy back	Muhammad Umair Farooqui
Mehran Vx	302	224	78	54	Buy back	Muhammad Talha Mustafa
	204,910	141,761	63,149	72,512		
Intangibles						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	5,344	5,136	208	-	Write-Off	
Total	366,760	293,312	73,448	99,610		

Annexure 'D' of the Group's 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.