

بَيْنَكَ وَالْإِسْلَامِ



BankIslami

Nature is pure & promising
so is BankIslami

Serving you,
the Right way

9th Annual Report 2012

Vision

The Vision of BankIslami is to be recognized as the leading Authentic Islamic Bank.

Mission

The Mission of BankIslami is to create value for our stakeholders by offering Authentic, Shariah Compliant and Technologically advanced products and services.

We differentiate ourselves through:

- Authenticity
- Innovation
- Understanding our Clients' needs
- Commitment to excellence and
- Fast, efficient and seamless delivery of solutions. As a growing

institution, the foundation for our performance lies on our human capital and BankIslami remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.

Core Values

BankIslami is strongly committed towards its core values of:

- Product Authenticity
- Customer Focus
- Meritocracy
- Integrity
- Team work
- Humility
- Innovation

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CORPORATE INFORMATION

Board of Directors

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	
Mr. Abdulla Abdulkarim Abdulla Showaiter *	
Mr. Ahmed Goolam Mahomed Randeree **	
Mr. Ali Hussain	
Mr. Ali Raza Siddiqui	
Mr. Fawad Anwar ***	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Shabir Ahmed Randeree	

Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani****	Chairman
Professor Dr. Fazlur Rahman	Acting Chairman
Mufti Irshad Ahmad Aijaz	Member & Sharia'h Adviser

Audit Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

Executive Committee

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

Risk Management Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Hasan A. Bilgrami	Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

Company Secretary

Mr. Khawaja Ehrar ul Hassan - Acting

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisers

- 1- Haidermota & Co.
Barrister at Law
- 2- Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

* Subject to SBP approval

** Resigned on March 04, 2013

*** Co-opted on March 04, 2013

**** Justice ® Taqi Usmani has resigned from his position which is pending approval of the Board of Directors.

Management (in alphabetical order)

Mr. Ahmed Mustafa	Head, Branch Operations
Mr. Arsalan Vohra	Head, Risk Policy & Analytics
Mr. Arshad Wahab Zuberi	Head, Administration and General Service
Mr. Asad Alim	Head, Information Systems
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal / Acting Head, Finance
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Imran	Head, Consumer & Retail Banking
Mr. Muhammad Shoaib Khan	Head, Treasury & Financial Institutions
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Risk Management
Mr. Syed Mujtaba H. Kazmi	Head, Corporate Finance

Registered Office

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4, Clifton,
Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Register

Technology Trade (Private) Limited
Dagja House, 241-C, Block-2,
P.E.C.H.S. Off: Shahra-e-Qaideen,
Karachi.
Phone: (92-21) 34387960-61
Fax: (92-21) 34391318

Website:

www.bankislami.com.pk

SIX YEARS' VERTICAL ANALYSIS

	2012		2011		2010		2009		2008		2007	
	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	4,939	7%	4,685	8%	3,035	7%	4,218	12%	2,175	11%	1,433	10%
Balances with other banks	806	1%	549	1%	570	1%	2,060	6%	2,207	12%	2,577	18%
Due from financial institutions	8,476	11%	4,436	8%	4,513	10%	4,019	12%	40	0.21%	625	4%
Investments	28,994	39%	21,067	36%	13,732	30%	6,813	20%	5,020	26%	3,864	27%
Financings	27,433	37%	24,665	42%	19,566	43%	10,855	32%	6,496	34%	4,096	28%
Operating fixed assets	1,913	3%	1,812	3%	2,067	5%	2,395	7%	1,911	10%	1,093	8%
Deferred tax assets	87	0%	188	0%	402	1%	355	1%	267	1%	91	1%
Other assets	1,588	2%	1,419	2%	1,151	3%	3,558	10%	967	5%	666	5%
	74,236	100%	58,821	100%	45,036	100%	34,272	100%	19,085	100%	14,446	100%
Liabilities												
Bills payable	1,251	2%	799	1%	563	1%	486	1%	354	2%	85	1%
Due to financial institutions	1,621	2%	800	1%	353	1%	156	0%	246	1%	70	0%
Deposits and other accounts	64,216	87%	50,569	86%	38,198	85%	27,987	82%	12,478	65%	9,934	69%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	1,575	2%	1,341	2%	1,155	3%	917	3%	819	4%	513	4%
	68,664	92%	53,509	91%	40,269	89%	29,546	86%	13,897	73%	10,603	73%
Net Assets												
	5,572	8%	5,313	9%	4,766	11%	4,725	14%	5,188	27%	3,843	27%
Represented by												
Share Capital	5,280	7%	5,280	9%	5,280	12%	5,280	15%	5,280	28%	3,200	22%
Reserves	173	0%	91	0.16%	9	0.02%	-	0%	-	0%	-	0%
Unappropriate Profit/(Accumulated Losses)	101	0%	(227)	0%	(555)	- 1%	(592)	- 2%	(102)	- 1%	(47)	- 0.33%
Advance against future issue of share capital	-	0%	-	0%	-	0%	-	0%	-	0%	681	5%
Surplus on revaluation of assets - net of deferred tax	18	0%	169	0.29%	32	0.07%	38	0.11%	10	0.05%	9	0.06%
	5,572	8%	5,313	9%	4,766	11%	4,725	14%	5,188	27%	3,843	27%
Profit & Loss Account												
Profit / return earned	5,975	92%	5,502	96%	3,807	95%	2,177	86%	1,465	88%	600	81%
Profit / return expensed	(3,507)	- 54%	(2,883)	- 50%	(2,058)	- 51%	(1,222)	- 49%	(730)	- 44%	(304)	- 41%
Net Spread earned	2,468	38%	2,619	46%	1,750	44%	955	38%	735	44%	296	40%
Provisions	(91)	- 1%	(85)	- 1%	(4)	0%	(111)	- 4%	(131)	- 8%	(28)	- 4%
Net Spread after provision s	2,377	37%	2,534	44%	1,746	43%	844	33%	605	36%	267	36%
Other income	534	8%	227	4%	206	5%	343	14%	196	12%	140	19%
Other expenses	(2,285)	- 35%	(2,152)	- 38%	(1,907)	- 48%	(1,766)	- 70%	(1,034)	- 62%	(511)	- 69%
Profit before tax	626	10%	609	11%	45	1%	(580)	- 23%	(233)	- 14%	(103)	- 14%
Taxation	(216)	- 3%	(199)	- 3%	2	0%	90	4%	178	11%	64	9%
Profit after taxation	411	6%	410	7%	47	1%	(490)	- 19%	(55)	- 3%	(39)	- 5%

SIX YEARS' HORIZONTAL ANALYSIS

	2012		2011		2010		2009		2008		2007	
	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	4,939	5%	4,685	54%	3,035	- 28%	4,218	94%	2,175	52%	1,433	324%
Balances with other banks	806	47%	549	- 4%	570	- 72%	2,060	- 7%	2,207	- 14%	2,577	226%
Due from financial institutions	8,476	91%	4,436	- 2%	4,513	12%	4,019	9860%	40	- 94%	625	52%
Investments	28,994	38%	21,067	53%	13,732	102%	6,813	36%	5,020	30%	3,864	684%
Financings	27,433	11%	24,665	26%	19,566	80%	10,855	67%	6,496	59%	4,096	224%
Operating fixed assets	1,913	6%	1,812	- 12%	2,067	- 14%	2,395	25%	1,911	75%	1,093	148%
Deferred tax assets	87	- 54%	188	- 53%	402	13%	355	33%	267	193%	91	236%
Other assets	1,588	12%	1,419	23%	1,151	- 68%	3,558	268%	967	45%	666	159%
	74,236	26%	58,821	31%	45,036	31%	34,272	80%	19,085	32%	14,446	259%
Liabilities												
Bills payable	1,251	57%	799	42%	563	16%	486	37%	354	316%	85	257%
Due to financial institutions	1,621	103%	800	127%	353	126%	156	- 37%	246	251%	70	40%
Deposits and other accounts	64,216	27%	50,569	32%	38,198	36%	27,987	124%	12,478	26%	9,934	459%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	1,575	17%	1,341	16%	1,155	26%	917	12%	819	60%	513	202%
	68,664	28%	53,509	33%	40,269	36%	29,546	113%	13,897	31%	10,603	424%
Net Assets	5,572	5%	5,313	11%	4,766	1%	4,725	- 9%	5,188	35%	3,843	92%
Represented by												
Share Capital	5,280	0%	5,280	0%	5,280	0%	5,280	0%	5,280	65%	3,200	60%
Reserve s	173	90%	91	880%	9	0%	-	0%	-	0%	-	0%
UnappropriateProfit/(AccumulatedLosses)	101	- 145%	(227)	- 59%	(555)	- 6%	(592)	478%	(102)	118%	(47)	462%
Advance against future issue of share capital	-	0%	-	0%	-	0%	-	0%	-	- 100%	681	100%
Surplus on revaluation of assets - net of deferred tax	18	- 89%	169	422%	32	- 14%	38	262%	10	20%	9	- 23%
	5,572	5%	5,313	11%	4,766	1%	4,725	- 9%	5,188	35%	3,843	92%
Profit & Loss Account												
Profit / return earned	5,975	9%	5,502	45%	3,807	75%	2,177	49%	1,465	144%	600	500%
Profit / return expensed	(3,507)	22%	(2,883)	40%	(2,058)	68%	(1,222)	68%	(730)	140%	(304)	1528%
Net Spread earned	2,468	- 6%	2,619	50%	1,750	83%	955	30%	735	149%	296	264%
Provisions	(91)	8%	(85)	1965%	(4)	- 96%	(111)	- 15%	(131)	360%	(28)	2734%
Net Spread after provision s	2,377	- 6%	2,534	45%	1,746	107%	844	40%	605	126%	267	233%
Other income	534	136%	227	10%	206	- 40%	343	75%	196	40%	140	215%
Other expenses	(2,285)	6%	(2,152)	13%	(1,907)	8%	(1,766)	71%	(1,034)	102%	(511)	221%
Profit before tax	626	3%	609	1266%	45	108%	(580)	149%	(233)	126%	(103)	199%
Taxation	(216)	8%	(199)	- 10017%	2	- 98%	90	- 49%	178	176%	64	147%
Profit after taxation	411	0%	410	780%	47	- 110%	(490)	783%	(55)	44%	(39)	362%

STATEMENT OF VALUE ADDED

	2012		2011	
	Rs. In Mln	%	Rs. In Mln	%
Value Added				
Net Spread earned	2,468		2,619	
Other income	534		227	
Operating expenses excluding staff cost, depreciation, amortisation, donations and WWF	(1,004)		(955)	
Provision against financings, investments & others	(91)		(85)	
Value added available for distribution	<u>1,907</u>		<u>1,806</u>	
Distribution of value added				
To employees				
Remuneration, provident fund and other benefits	968	50.75%	840	46.51%
To government				
Worker Welfare Fund	13	0.66%	13	0.70%
Income tax	216	11.31%	199	11.02%
	228	11.96%	212	11.72%
To Society				
Donations	-	-	-	-
To Shareholders				
Depreciation	276		311	
Amortisation	24		34	
Retained during the year	411		410	
	711	37.29%	754	41.76%
	<u>1,907</u>	<u>100.00%</u>	<u>1,806</u>	<u>100.00%</u>

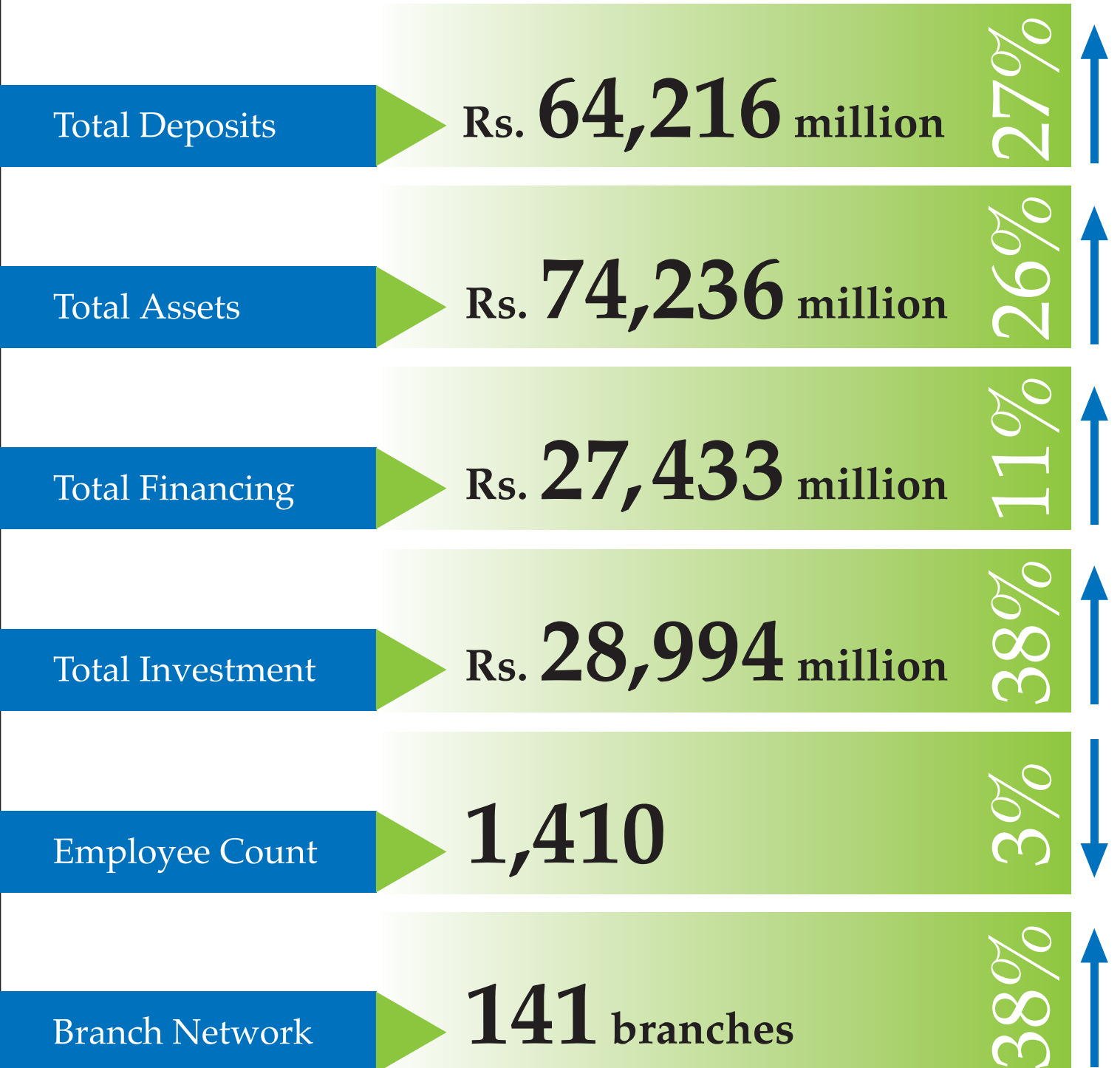
SIX YEARS' FINANCIAL SUMMARY 2007-2012

	2012	2011	2010	2009	2008	2007
------(Rupees in Millions)-----						
Profit & Loss Account						
Profit/return Earned	5,975	5,502	3,807	2,177	1,465	600
Profit /return Expensed	3,507	2,883	2,058	1,222	730	304
Net Spread earned	2,468	2,619	1,750	955	735	296
Fee,commission,brokerage & exchange Income	282	187	153	316	141	71
Dividend and capital gains	220	0.002	0.001	2	33	65
Other Income	32	39	53	24	22	4
Total Other Income	534	227	206	343	196	140
Total Income	3,002	2,846	1,956	1,298	931	436
Other expenses	2,285	2,152	1,907	1,766	1,034	511
Profit/(loss) before tax and provisions	718	693	49	(490)	(102)	(75)
Provisions	91	85	4	111	131	28
Profit/(loss) before tax	626	609	45	(580)	(233)	(103)
Profit/(loss) after tax	411	410	47	(490)	(55)	(39)
Statement of Financial Position						
Paid up capital	5,280	5,280	5,280	5,280	5,280	3,200
Reserves	173	91	9	-	-	-
Unappropriated profit/(loss)	101	(227)	(555)	(592)	(102)	(45)
Shareholder's equity	5,554	5,144	4,734	4,687	5,177	3,155
Surplus on revaluation of assets-net of tax	18	169	32	38	10	9
Net Assets	5,572	5,313	4,766	4,725	5,188	3,845
Total Assets	74,236	58,821	45,036	34,272	19,085	14,446
Earning Assets	65,710	50,718	38,381	23,746	13,764	11,162
Gross Financings	27,934	25,055	19,895	11,104	6,841	4,125
Financings-net of provisions	27,433	24,665	19,566	10,855	6,496	4,064
Non-performing Loans (NPLs)	1,205	838	660	789	186	78
Investments	28,994	21,067	13,732	6,813	5,020	3,864
Total Liabilities	68,664	53,509	40,269	29,546	13,897	10,603
Deposits & other accounts	64,216	50,569	38,198	27,987	12,478	9,934
Current & Saving Deposits (CASA)	34,030	26,028	19,402	15,335	5,978	5,005
Borrowing	1,621	800	353	156	246	70
Profit bearing Liabilities	54,393	41,123	29,390	20,565	9,668	8,600
Contingencies and commitments	8,238	4,595	4,468	1,263	1,645	1,446
Financial Ratios						
Profit before tax ratio(PBT/total income)	20.87%	21.39%	2.28%	-44.67%	-25.01%	-23.59%
Net Spread earned/Profit Earned	41.31%	47.60%	45.96%	43.86%	50.20%	49.33%
Other income to total income	16.72%	6.58%	7.84%	24.53%	18.72%	31.31%
income/ expense ratio (excl. provisions)	Times	1.31	1.32	1.03	0.73	0.90
Return on average equity (ROE)	7.68%	8.29%	0.99%	-9.93%	-1.33%	-1.50%
Return on average assets (ROA)	0.62%	0.79%	0.12%	-1.84%	-0.33%	-0.42%
Return on Capital Employed (ROCE)	1.04%	1.31%	0.13%	-2.29%	-1.57%	-0.83%
Earning per share (EPS after tax)	Rs.	0.7782	0.7757	0.09	(0.93)	(0.11)
Gross advances/ deposit ratio	43.50%	49.55%	52.08%	39.68%	54.83%	41.52%
Net Advances /deposit ratio	42.72%	48.78%	51.22%	38.78%	52.06%	40.91%
Breakup value per share (excl.surplus on rev. of assets)	Rs.	10.52	9.74	8.97	8.88	9.81
Breakup value per share (incl.surplus on rev. of assets)	Rs.	10.55	10.06	9.03	8.95	9.89
Earning assets to total assets ratio	88.51%	86.22%	85.22%	69.29%	72.12%	77.27%
Earning assets to profit bearing Liabilities	Times	1.21	1.23	1.31	1.15	1.42
CASA to Total Deposits	52.99%	51.47%	50.79%	54.79%	47.91%	50.38%
NPLs to Gross Financings ratio	4.31%	3.35%	3.32%	7.10%	2.72%	1.90%
Assets to Equity	Times	13.37	11.44	9.51	7.31	3.69
Deposit to share holder equity	Times	11.56	9.83	8.07	5.97	2.41
Capital Adequacy Ratio	15.25%	17.18%	19.50%	18.24%	39.83%	37.92%
Market value per share-Dec 31	Rs.	9.21	3.1	3.63	7.25	7.25
Non Financial Information						
Number of branches	141	102	102	102	102	36
Total number of employees	1,410	1448	1347	1471	1188	563

KEY PERFORMANCE INDICATORS

		2012	2011	Variance	
				Amount	%/ Times
Financial					
Gross Financings	Rs. In Mln	27,934	25,055	2,879	11%
Investments	"	28,994	21,067	7,927	38%
Deposits	"	64,216	50,569	13,648	27%
Shareholders Equity	"	5,554	5,144	411	8%
Net Spread Earned	"	2,468	2,619	(150)	6%
Other Income	"	534	227	307	136%
Other Expenses	"	2,285	2,152	132	6%
Provisions	"	91	85	7	8%
Profit Before Taxation	"	626	609	18	3%
Profit after Taxation	"	411	410	1	0%
Non Financial					
No. of customers	Absolute	228,447	196,371	32,076	16%
No. of ATM cards and debit cards issued	"	179,507	175,941	3,566	2%
Total number of employees	"	1,410	1,448	(38)	3%
Key Financial Ratios					
Earning per Share	Rs.	0.7782	0.7757		
Bookvalue Per Share	"	10.52	9.74		
SharePrice - Dec.31	"	9.21	3.10		
Market Capitalisation	Rs. In Bln	4.86	1.64		
Price/Earning Ratio	Times	11.84	4.00		
Return on Equity	%	7.40%	7.96%		
Return on Assets	"	0.62%	0.79%		
Capital Adequacy Ratio	"	15.25%	17.18%		

2012 has been another promising year...



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 9th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Saturday, March 30, 2013 at 8:00: a.m. at Hotel Regent Plaza, Shakra-e-Faisal, Karachi, to transact the following business:

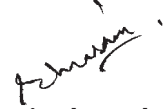
ORDINARY BUSINESS

- 1- To confirm minutes of the 8th Annual General Meeting held on March 30, 2012.
- 2- To receive, consider and adopt the Audited Financial Statements (separate and consolidated) for the year ended December 31, 2012 together with the Auditors' and Directors' Reports thereon.
- 3- To appoint auditors of the bank for the year ending December 31, 2013 and to fix their remuneration. The present auditors M/s. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

ANY OTHER BUSINESS

- 4- To transact any other business with the permission of the Chair.

By Order of the Board



Khawaja Ehrar ul Hassan
Acting Company Secretary

Karachi: March 09, 2013

Notes:

- i The Members' Register will remain closed from March 25, 2013 to March 31, 2013 (both days inclusive).
- ii A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the registered office not less than 48 hours before the holding of the meeting.
- iii An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purposes.
- iv Members are requested to promptly notify Share Registrar, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, PECHS Society, Karachi, of any change in their address.
- v In pursuance with the Securities and Exchange Commission of Pakistan ("SECP") Notification No SRO.831(1)/2012 of July 5,2012 in supersession of earlier notification No. SRO 779 (1)/2011 of August 18, 2011, SECP directed all listed companies to mention Computerized National Identity Card (CNIC) / NTN numbers of the registered members on the dividend warrant. The shareholders having physical shares are once again requested to immediately send a copy of their valid computerised national identity card (C.N.I.C) to our Registrar Office, M/s. Technology Trade (Pvt) Ltd. Dagia House,241-C, Block-2, P.E.C.H.S, Off Shahrah-e-Quaideen, Karachi for printing/insertion on dividend warrants. In case of non-receipts of copy of valid C.N.I.C (unless it has been provided earlier) and non-compliance of the above requirement the Bank will be constrained to withhold dispatch of dividend warrants to such shareholders as per S.E.C.P. SRO and directives. The corporate entities has also advised to submit the NTN number to the above given address.

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the Ninth Annual Report of BankIslami Pakistan Limited. Highlights are:

	Dec-12	Dec-11	Growth (%)
	-----Rupees in million-----		
Total Deposits	64,216	50,569	26.98%
Total Assets	74,236	58,821	26.20%
Total Financing	27,433	24,665	11.22%
Total Investments	28,994	21,067	37.62%
Shareholder's Equity (excluding revaluation)	5,554	5,144	7.98%
Branches	141	102	38%
Basic Earnings/(loss) per share - rupees	0.778	0.775	0.32%

It gives me great pleasure to share with you the milestones we achieved in the financial year 2012 and the strategy for 2013:

- The Bank started its network expansion this year after three years of consolidation. 39 new branches and sub branches were added taking the network to 141 branches and sub branches in 66 cities of the Country. This network expansion is expected to continue, Insha'Allah, till 2015 taking the network to 300 branches and sub-branches. The Bank has received permission for an additional 60 branches/sub-branches for 2013 which we shall be adding towards the end of the year. We expect BankIslami to have presence in more than 90 cities with a network of 200 branches and sub branches by end of 2013 retaining its position as the second largest Islamic Banking network;
- BankIslami has almost 9% of the Islamic Banking market share, which again is the second largest amongst Islamic Banks. Our market share has steadily increased over the years starting from 2.1% in 2006. Importantly, the entire growth has been organic. Our aggressive network expansion, roll out of products and services, investment in technology and re-engineering of delivery model is geared to ensure that we consistently increase our market share by 1% to 1.5% every year which is a challenge in its own right. It is also a matter of immense satisfaction for us that BankIslami is seen as a premium brand which in the presence of internationally acclimated Islamic Banks in Pakistan is an achievement in its own right;
- Total Deposits of the Bank grew by 26.98%. Almost 84% of the growth came from old branches as most of the network expansion took place towards the later part of the year. The growth was mainly driven by 48% growth in the Saving accounts, 12% growth in the Current accounts while the balance 50% was accounted for in the Fixed Term Deposits and other relationships. Aggressive growth in the Current and Saving account relationships helped the Bank reduce the Cost of Fund by 119 basis points which to some extent reduced the impact of declining spreads. Despite of reduction in rates and discontinuation of the 10 year Monthly profit payment, Mahana Munafa Account, growth in Fixed Term Deposits was above our expectation. At the end of the year, the Bank had almost 228,000 depository relationships as against approximately 196,000 last year;

In 2013, the Bank will focus on deepening its depository franchise in the existing and new branches. Specifically, the Bank is targeting to increase its deposit base by another 30% driven equally by CASA and Fixed Term Deposits. While we expect the KIBOR to start to increase towards the later part of the year, we feel our Cost of Fund has still room for reduction by another 20 to 30 basis points. The Bank is ideally poised to benefit from increase in the policy rate as and when it happens;

- Financing grew by 11.13% in line with the slow credit off-take in the Country despite of aggressive cuts in the policy rate. Unlike previous years, growth in the consumer segment was also somewhat subdued. Our Corporate Financing business did exceptionally well by a 45% increase in the Trade Finance as well as increasing its thrust in the Small and Medium segment which thus far was not the forte of the Bank. We expect post elections credit off-take will pick up accordingly therefore the targeted ADR of the Bank for 2013 is at around 50% as against 43% for the year under review. While our Mortgage Finance Business, offered under the brand name Muskun, has grown in absolute terms, we did not get anticipated response from the new markets we tapped during the year. One of the reasons was aggressive pre-payments made by the customers in markets such as Karachi. In 2013, we shall continue to focus on the new markets and reassess the strategy. Asset quality across the board remained good. The Bank has taken provision against AgriTech in line with the requirements of the Prudential Regulations. Total Classified portfolio of the Bank was only 4.42% of the Financing making it one of the best financing portfolio's in the Banking industry;
- Investment portfolio recorded a growth of 37.62%, almost exclusively due to increased investments in the Sovereign Sukuk Bonds. Owing to fewer quality financing opportunities, we will continue to focus aggressively on investment opportunities in the Sovereign Market with sporadic interest in the private Sukuk Market;
- Despite of increase in earning assets, due to reduction in the policy rate, growth in top line was restricted to 8.59% which is satisfactory in the current economic environment. Reduction in both Gross and Net spread was also noted, however we expect the trend to start reversing from the mid of 2013. Nevertheless, our strong spreads are a testament of our basic Banking business being vibrant and competitive;
- Other Income grew by 135%, bulk of which came from Capital Gains realized in Trading in the Ijarah Sukuk. Unfortunately, our hopes of having access to the Shariah Compliant Repo market could not materialize. We are cautiously hopeful this year we may get this facility as well as a Treasury Paper at the short end of the yield curve. These measures will significantly boost the Treasury revenues. Contribution was also made by Trade Finance, Visa Card, BancaTakaful, Pakistan Remittance Initiative as well as increasing focus on charged services. The Bank is also expecting to do well in the cross sell initiative launched in 2012;
- Administrative Expenses increased by 6.37% despite of addition of 39 branches and sub branches which is commendable. The Bank has reached a size and age where it has started reaping the benefits of investments in the technology and processes it made in the past. Worthwhile initiatives on the operations side which have contributed to excellent cost control were: a) 20% reduction in Head Count was achieved by centralizing back end processing. The initiative was extended to Lahore, Islamabad and Quetta in addition to Karachi. The Bank is all set to centralize the Term Deposit receipt handling making it probably the most centralized operation in the entire Banking industry; b) Efficient operations at Branch level lead to further decrease in cash holding. Conservatively 33% reduction under this head was achieved; c) Processes were re-aligned or re-engineered to ensure staff at the Branch spends more time in customer handling without any compromise on the quality; d) Centralization, monitoring and investment in training also helped us to achieve better compliance status which is reflected in our accounts. The Bank is actively looking to have a time and motion study done to take the re-engineering initiative to a new level. Steps such as these have ensured Bakislami continues to grow despite of reduction in spreads and low credit off take;

- On the technology side, the Bank had invested in the Thin Clients equipment as well as Linux based software since its inception. The results of these and other initiatives have started becoming evident. Not only our software costs are one of the lowest in the industry, it requires minimal maintenance fees as well. Similarly, Thin Clients have a longer life, fewer resources requirement and need a fraction of maintenance compared to other alternatives. I am pleased to report BankIslami has built the largest Linux based Thin Client network in the Country which in the years to come will contribute to superior earnings, inshallah;
- Other notable initiatives include successful prototype testing of 'first in the world' card less Biometric ATM, launch of in-house built NADRA e-sahulat system for utility bill payments, introduction of Multi-Protocol Local Switching, shifting of an additional 19 branches on the optic fiber and leveraging further the investment in Thin Clients by removing servers from the Branches;
- Our investment in Human Resources continued with several new initiatives. Increased focused on Training, a structured career path which is built around training, experience and testing has ensured better service quality at all levels. Employment cost was 42.54% of the Administrative Expenses which is one of the lowest in the Industry. Head Count at the end of the year was 1,410 as against 1448 in 2011. This reduction was achieved despite of addition of 39 branches;
- Head Count per branch was 10 as against 14 in 2011. We expect a slight increase due to increased business and further network expansion. Head count per relationship was 162 as against 135 in 2011. The Bank actually exceeded the target which was set at one person per 160 relationships. We expect to take it to 200 by end of 2013. BankIslami should already be firmly in the first quartile within the Banking Industry in Pakistan;
- The Earning per share worked out to be Rs. 0.778. The quality of earnings was high as the bulk of it is from sustainable and recurring operations.
- Our quality of service also improved further. A total of 28 (2011: 22) Internal Service Measures were monitored in 2012. 95% of the accounts were opened within the assigned time, while personalized cheque books were processed within stipulated time 90% of the time. 90% of cash withdrawals and deposits were within 10 minutes. Average up time for ATMs was 93% while the success rate increased to 97% for the Bank customers and 94% for other Banks. Similar improvements were noted in other areas as well. Total complaints lodged were less than 4% which is evident of a superior standard.

Minimum Capital Requirement

State Bank of Pakistan was kind enough to grant us extension till March 31, 2013. There are indications that subject to our increasing the Paid up Capital net of losses to Rs. 6 Billion, further relaxation may be allowed, however no representation is made in this respect as the final decision rests with the State Bank of Pakistan. The Board of Directors last year had agreed in principle to issue right shares at discount to increase the Paid up Capital to Rs. 6 Billion. However, State Bank of Pakistan advised to reassess the issue price in light of the prevailing market price. The Board of Directors of the Bank is expected to take a decision soon in this respect.

Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the State Bank of Pakistan. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

- 1- The financial statements prepared by the Management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
- 2- Proper books of account of the Bank have been maintained.
- 3- Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in note 3.5 and accounting estimates are based on reasonable and prudent judgment.
- 4- International Accounting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- 5- The system of internal control is sound in design and has been effectively implemented and monitored.
- 6- There are no doubts upon the Bank's ability to continue as a going concern.
- 7- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- 8- The value of investments of the Bank's Provident Fund and gratuity fund based on audited and un-audited accounts at December 31, 2012 amounted to Rs.229.856 million and 107.105 million respectively.
- 9- The purchase and sale of shares by the Directors and the Chief Executive during the year is given in enclosed annexure.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by The Karachi Stock Exchange is its listing regulations relevant for the year ended December 31, 2012 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management Framework

The Risk Management function has now taken its root within the financial institutions on a world-wide basis, and is as critical in fulfilling the institution's financial objectives as one of its main objectives. It is not just a function to foretell adverse future events, but it brings about the basic function of being informed; being informed of what can or may happened, being informed of what steps and controls need to be taken to reduce and mitigate the level of risk and to be informed and to be reasonably prepared to deal with any undesired event and circumstances. Decisions emanating from this basic understanding form the cornerstone of our Risk Management Framework.

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Bank's risk mandate, establishment of a structure that provides for authority, delegation, accountability, and the development of a control framework. Risk Management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Our framework comprises of a separate department, with a dedicated and growing team, which share our core strategic values including an effective Shariah compliance.

Committees related to the management of risks at BankIslami form the main layer of the framework, the inflow and outflow of information is through the dedicated function of risk management. The Head of Credit and Risk management, Operations, Finance, Treasury and other related functions review the critical risk areas of operational, credit and market risk as well as other risks being faced by the organization, along with the magnitude of their impact and likelihood of occurrence. BankIslami perceives the management of risk not to be limited to a department or a function, but rather should read into daily business routine. Ideas and decisions are heavily based on the risk and reward trade-off some of the ideas which never see the light of the day are usually the ones which have been shelved due to an unacceptable risk level. The risks when identified and analyzed are further weighed against the applicable risk weights and its impact reviewed on a periodic basis. This pro-active approach helps in outlining the organization's risk tolerance level vis-à-vis BankIslami's risk appetite in relation to its size, current position and market standing, with a view to refine processes, controls and guidelines to not only mitigate, but also to effectively manage risk.

Credit Rating

The Bank has been assigned a long term entity of 'A' and short term rating of 'A-1' by Pakistan Credit Rating Agency Limited (PACRA), reflecting BankIslami well conceived business strategy and establishment of an effective operating platform to execute the business strategy.

Pattern of Shareholding

The Pattern of shareholding as at December 31, 2012 is annexed with the report.

Auditors

The present Auditors A.F. Ferguson & Co., retire and being eligible offer themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of A.F. Ferguson & Co., as Auditors for the year ending December 31, 2013.

Acknowledgments

The Board would like to place on record its deep appreciation for the State Bank of Pakistan for all the assistance and guidance. We are also thankful to our employees for their kind dedication and commitment during the year under review.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer

March 04, 2013

ANNEXURE TO DIRECTORS' REPORT

The purchase and sale of shares by Directors and Chief Executive Officer during the year are given below:

Name	Designation	No. of Shares as at Jan . 01, 2012	Shares subscribed/ purchased during the Year	No. of Shares as at Dec 31, 2012
Chief Justice (Retd.) MahboobAhmed	Chairman	130,829	-	130,829
Mr. Ahmed GoolamMahomedRanderee	Director	51,423,883	-	51,423,883
Mr. Ali Raza Siddiqui	Director	5,000	-	5,000
Mr. Shabir AhmedRanderee	Director	51,423,883	-	51,423,883
Mr. HasanA Bilgrami	CEO	499,079	-	499,079

Attendance of Board of Directors for the Year 2012:

Director Name	Total	Attended	Leave of Absence
Chief Justice (Retd.) Mahboob Ahmed	7	7	0
Mr. Ahmed Goolam Mahomed Randeree	7	2	5
Mr. Ali Raza Siddiqui	7	7	0
Mr. Hasan A. Bilgrami, CEO	7	7	0
Mr. Shabir Ahmed Randeree	7	6	1
Mr. Ali Hussain	7	7	0
Mr. Marwan Hassan Ali Elkhatib *	1	0	0
Mr. Hicham Hammoud **	3	3	0
Mr. Abdulhakim Habib Mansoor Binherz ***	2	1	1
Mr. Abdulla Abdulkarim Abdulla Showaiter ****	0	0	0

* he resigned effective from February 28, 2012, till February 28, 2012 one board meeting was held.

** he resigned effective from April 26, 2012, till April 26, 2012 three board meetings were held.

*** he was appointed as director effective from March 20, 2012 subject to SBP approval, SBP approval was received on August 29, 2012, after August 29, 2012 two board meetings were held.

**** Subject to SBP approval.

STATEMENT OF INTERNAL CONTROL

Statement of Management's Responsibility

It is the responsibility of the Bank's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Bank's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

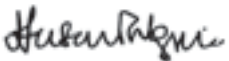
Management Evaluation of the Effectiveness of the Bank Internal Control System

During the year under review efforts have been made for an effective and efficient internal control system. In accordance with SBP-BSD Circular No. 7 of 2004, the Bank formulated all the key policies and procedures for its different lines of business. While formulating such policies clear line of authority and responsibility have been established in order to ensure an effective internal control system. The Bank has established an audit function independent of line management. The control activities are being closely monitored across the Bank through audit group / compliance & control, which covers all banking activities in general and key risk areas in particular. The Audit Committee of the Board reviews the audit function quarterly which includes program as well as surprise audits.

Internal control system in the Bank is designed to manage, rather than to eliminate the risk of failure to achieve the business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss. However, it is an on going process that includes identification, evaluation and management of significant risks faced by the Bank.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

For and On Behalf of the Board



Hasan A Bilgrami
Chief Executive Officer

March 04, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (CCG)

FOR THE YEAR ENDED DECEMBER 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in the regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Regulation No.35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed bank is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

- At present the board includes:

Category	Names
Independent Director	Mr. Fawad Anwar*
Executive Director	Mr. Hasan A Bilgrami
Non-Executive Directors	Chief Justice (Retd.) Mahboob Ahmed Mr. Ahmed Goolam Mahomed Randeree** Mr. Ali Raza Siddiqui Mr. Ali Hussain Mr. Shabir Ahmed Randeree Mr. Abdulhakim Habib Mansoor Binherz Mr. Abdulla Abdulkarim Abdulla Showaiter***

The independent director meets the criteria of independence under clause i(b) of the CCG.

* Approved in 51st Board meeting held on March 4, 2013.

** Resigned on March 4, 2013

*** Subject to SBP approval.

- The directors have confirmed that none of them is serving as a director on more than ten listed companies including this bank.
- All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Two casual vacancies occurred on the board during the period under review. In one of the cases the nomination was received within the stipulated period however co-option took place after 90 days as no meeting of the Board was held.
- The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the board have been exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers materially, were circulated at least seven days before the meetings whenever possible. The minutes of the meetings were appropriately recorded and circulated.

9. The board will arrange trainings for the directors that are not exempted in CCG.
10. The board has approved appointment of Head of Internal Audit, including their remuneration and terms and conditions of employment. The Chief Financial Officer (CFO) and Company Secretary has resigned during the year with effect from December 6, 2012. The appointment of CFO and Company Secretary is under process. In the meantime an acting CFO & Company Secretary has been nominated.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and Acting CFO before approval of the board during the year.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of five members, of whom all are non-executive directors and the Chairman of the Committee, Mr. Fawad Anwar is an independent director as mentioned in point 1 above.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Compensation Committee. It comprises of 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partner are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied except as mentioned above towards which reasonable progress is being made by the Bank to seek compliance by the end of next accounting year.



Hasan A. Bilgrami
Chief Executive Officer

March 04, 2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Bank Islami Pakistan Limited** to comply with the Listing Regulations No 35 (Chapter XI) of the Karachi Stock Exchange Limited where the Bank is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation (x) of Listing Regulation No 35 notified by the Karachi Stock Exchange Limited requires the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

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

We draw attention to paragraphs 1 and 4 of the annexed statement which highlights the fact regarding the appointment of an independent director on the Board of Directors subsequent to the year end and matter pertaining to filling of casual vacancy.



Chartered Accountants

Karachi

Dated: March 08, 2013

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، و الصلاة و السلام على سيد الأنبياء و المرسلين، و
على آله و أصحابه أجمعين، و بعد

This report which forms part of the 9th annual report of the bank provides me the opportunity to discuss Shari'ah compliance in affairs of the Institution as well as accessory factors which contribute to the former like training and product development. During the year under review an important progress in the industry was issuance of guidelines from the regulator on pool management function of Islamic banks. We will briefly discuss this too.

Shari'ah Compliance:

The two wings of the bank are deposits acceptance and investment of these funds. Shari'ah compliance needs to be ensured at both ends. Assets generation from the deposits and other funds is carried out through pre approved mode of investments. Executed transactions are reviewed and audited on sample basis to check their conformity to the structured modus operandi. Remuneration of deposits is based on profit and loss sharing arrangement between the bank and depositors. Assignment of profit sharing ratio and weightages and allocation of assets to the pool of deposits is done under Shar'iah supervision.

Based on the above, I report:

Each class of transactions with respect to the relevant documentation and procedures adopted by BankIslami has been examined on test check basis;

In my opinion, the business affairs of BankIslami have been generally carried out in accordance with rules and principles of Shari'ah, SBP regulations and guidelines related to Shari'ah compliance and other rules as well as specific Fatwas and rulings issued by Shari'ah Board and myself from time to time;

In my opinion, the allocation of funds, weightages, profit sharing ratios, and profit relating to PLS accounts conform to the basis vetted by Shari'ah Board and myself in accordance with Shari'ah rules and principles;

An amount of Rs. 12.01Mn was received from customers in respect of charity on delays in payments and credited to Charity Account.

An amount of Rs. 959,253 has been found as impure income in a recent Shari'ah audit due to some irregularities in a transaction undertaken in 2012. Since the case came to light after the finalization of accounts the amount will be credited to Charity Account in 2013.

Since charity funds are kept under investment accounts at the bank, a return is given to this amount as a part of Mudarabah pool. During the year Rs. 624,893 accrued to Charity fund in respect of Mudarabah profit.

Disbursements during the year from the Charity fund amounted to Rs. 8.2 Mn.

Product and New Relations Development:

The Product Development team undertook structuring of Shari'ah compliant Istisna based short term Sukuks. These Sukuks were designed in a way that allows tradability throughout the substantial period before maturity. Short term Sukuks thus will be able to replace conventional commercial papers in the coming years.

During the year the bank made arrangement with Mashreq Bank for Shari'ah compliant Wad based forward transactions. In this regard amendments which seemed necessary from Shari'ah perspective were made in the Master Agreement.

An agreement with International Finance Corporation, a World Bank group concern, was inked for guaranteeing BankIslami's international LCs by the former.

Issuance of Pool Management Guidelines by SBP:

In the last quarter of the preceding year, the Central Bank issued a detailed and comprehensive guidelines for pool management. The guidelines which cover different aspects of deposits are meant to standardize the practices and improve the transparency. An analysis of the instructions reveals that the regulator has moved one step ahead from Shari'ah compliance to Shari'ah governance through administrative measures. Limitations on Hiba (gift) practice, fixing the maximum gap between lowest and highest weightage and increased disclosure requirements are all part of an overall endeavor towards a better deposits management practice across the board. We think this is a step forward in the industry and in future the system will improve further.

Islamic Banking Training:

Human resource is a key determinant in success or failure of any organization and when it comes to service industry its importance increases manifold. Sound knowledge of processes is critical for the execution of any transaction. The main reason for most of the deviations and irregularities is lack of awareness. By training and educating the employees risk of non-compliance can be mitigated to a large extent. At BankIslami every employee is provided a basic course in Islamic banking. Specialized product trainings are also conducted for the relevant staff. During the year under review twenty two sessions were conducted which trained over four hundred employees.

As Shari'ah Audit is conducted by Internal Audit department, specially designed Shari'ah training was held during the year for the Shari'ah Audit staff. For 2013 a plan "Train the Trainer" is also under consideration for more frequent training sessions specially in remote areas.

Composition of the Bank's Portfolio:

As of December 31st the outstanding position of the booked assets reveals that Murabahah comprises 27.03% of the total financing while Istisna and finished goods purchase financing (Karoobar financing) together stand at 37.57%. Ijarah and Diminishing Musharakah respectively account for 6.23% and 26.10%.

Recommendations:

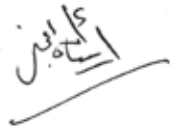
Based on the observations made through Shari'ah review, reports and feedback from several areas I recommend the following:

Penalty clauses in the agreements with institutions other than Islamic financial institutions is a recurring problem. Some efforts on collective basis should be done to introduce Charity imposition arrangement in the businesses and corporations. Cooperation from SBP and SECP in this regard will be of much worth.

Islamic banks should collectively develop a code of good practices whereby certain quantitative checks should be placed on less preferred financing, investments and deposits products. Liquidity instruments should be developed which should enhance dealing between Islamic banks and reduce dependence on conventional interbank market.

I end this report with best wishes to the Islamic finance industry.

و صَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَ بَارَكَ وَ سَلَّمَ



Irshad Ahmad Aijaz
Shari'ah Adviser

AUDITORS' REPORT TO THE MEMBERS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of BankIslami Pakistan Limited (the Bank) as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for eight branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of Islamic financing and related assets covered more than sixty percent of the total Islamic financing and related assets of the Bank, we report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.5 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2012, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Emphasis of matter paragraph

We draw attention to note 1.2 to the accompanying financial statements which describes the matter relating to shortfall in minimum capital requirements of the Bank as at December 31, 2012. The State Bank of Pakistan has given extension in timeline to the Bank till March 31, 2013 to meet this requirement. Our opinion is not qualified in respect of this matter.



Chartered Accountants

Audit Engagement Partner: **Rashid A. Jafer**

Dated: March 8, 2013

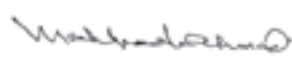
Karachi

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	2012	2011 (Restated)	2010 (Restated)
----- Rupees in '000 -----				
ASSETS				
Cash and balances with treasury banks	6	4,938,707	4,684,826	3,035,148
Balances with other banks	7	806,110	549,277	569,622
Due from financial institutions	8	8,475,672	4,436,264	4,513,132
Investments	9	28,994,462	21,067,082	13,732,132
Islamic financing and related assets - net	10	27,433,262	24,665,459	19,565,710
Operating fixed assets	11	1,913,106	1,811,628	2,066,680
Deferred tax assets	12	86,973	188,130	402,183
Other assets	13	1,587,738	1,418,648	1,151,096
		<u>74,236,030</u>	<u>58,821,314</u>	<u>45,035,703</u>
LIABILITIES				
Bills payable	14	1,251,010	798,853	563,020
Due to financial institutions	15	1,621,415	800,000	353,000
Deposits and other accounts	16	64,216,485	50,568,785	38,198,320
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	17	1,574,666	1,341,038	1,154,977
		<u>68,663,576</u>	<u>53,508,676</u>	<u>40,269,317</u>
NET ASSETS		<u>5,572,454</u>	<u>5,312,638</u>	<u>4,766,386</u>
REPRESENTED BY				
Share capital	18	5,279,679	5,279,679	5,279,679
Reserves	19	173,392	91,221	9,310
Unappropriated profit / (accumulated losses)		101,342	(227,340)	(554,985)
		<u>5,554,413</u>	<u>5,143,560</u>	<u>4,734,004</u>
Surplus on revaluation of assets - net of tax	20	18,041	169,078	32,382
		<u>5,572,454</u>	<u>5,312,638</u>	<u>4,766,386</u>
CONTINGENCIES AND COMMITMENTS	21			

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.



Chairman



President / Chief Executive



Director

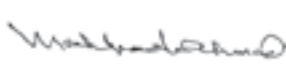


Director

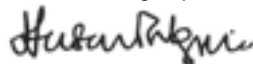
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011 (Restated)
		----- Rupees in '000 -----	
Profit / return earned	22	5,975,306	5,502,154
Profit / return expensed	23	3,506,965	2,883,355
Net spread earned		2,468,341	2,618,799
Provision against non-performing Islamic financing and related assets - net	10.14	111,072	60,523
Reversal of provision for diminution in the value of investments	9.7	(15,000)	-
Bad debts written off directly		-	-
		96,072	60,523
Net spread after provisions / (reversals)		2,372,269	2,558,276
OTHER INCOME			
Fee, commission and brokerage income		181,237	124,086
Dividend Income		2	2
Income from dealing in foreign currencies		100,957	63,285
Gain on sale of securities	25	219,892	-
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income	24	31,844	39,336
Total other income		533,932	226,709
		2,906,201	2,784,985
OTHER EXPENSES			
Administrative expenses	26	2,271,642	2,139,128
Other (reversals) / provisions / write offs		(4,754)	24,210
Other charges	27	12,871	13,060
Total other expenses		2,279,759	2,176,398
Extra ordinary / unusual items		626,442	608,587
		-	-
PROFIT BEFORE TAXATION		626,442	608,587
Taxation			
- Current	28	32,710	57,242
- Prior years	28	-	1,340
- Deferred	28	182,879	140,449
		215,589	199,031
PROFIT AFTER TAXATION		410,853	409,556
Accumulated loss brought forward		(227,340)	(554,985)
		183,513	(145,429)
----- Rupees -----			
Basic earnings per share	29	0.7782	0.7757
Diluted earnings per share	29	0.7782	0.7757

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.



Chairman



President / Chief Executive



Director



Director


STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011 (Restated)
		----- Rupees in '000 -----	
Profit after taxation for the year		410,853	409,556
Comprehensive income transferred to equity		<u>410,853</u>	<u>409,556</u>
Components of comprehensive income not reflected in equity :			
Surplus on revaluation of available for sale investments - net of tax	20.2	4,987	136,696
Total comprehensive income for the year		<u><u>415,840</u></u>	<u><u>546,252</u></u>

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.



Chairman



President / Chief Executive



Director



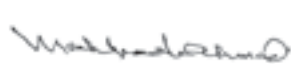
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011 (Restated)
----- Rupees in '000 -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		626,442	608,587
Less: Dividend Income		(2)	(2)
		626,440	608,585
Adjustments:			
Depreciation	26	276,255	310,745
Amortisation	26.2	23,927	29,705
Depreciation on operating Ijarah assets		391,571	255,941
Provision / (reversal of provision) against non-performing Islamic financing and related assets - net	10.14	111,072	60,523
Reversal of provision for diminution of in value of investments	9.7	(15,000)	-
Other (reversals) / provisions / write offs		(4,754)	24,210
Gain on sale of property and equipment	24	(4,654)	(12,787)
Deferred cost amortised	13.2	-	4,086
		778,417	672,423
		1,404,857	1,281,008
(Increase) / decrease in operating assets			
Due from financial institutions		(4,039,408)	76,868
Islamic financing and related assets		(3,270,446)	(5,416,213)
Others assets (excluding advance taxation and deferred cost)		(157,104)	(296,688)
		(7,466,958)	(5,636,033)
Increase / (decrease) in operating liabilities			
Bills payable		452,157	235,833
Due to financial institutions		821,415	447,000
Deposits and other accounts		13,647,700	12,370,465
Other liabilities (excluding current taxation)		233,628	186,061
		15,154,900	13,239,359
		9,092,799	8,884,334
Income tax paid		(39,942)	(57,742)
Net cash generated from operating activities		9,052,857	8,826,592
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(8,145,140)	(7,124,649)
Dividend received		2	2
Investments in operating fixed assets		(403,693)	(104,786)
Proceeds from disposal of operating fixed assets		6,688	32,174
Net cash used in investing activities		(8,542,143)	(7,197,259)
Increase / (decrease) in cash and cash equivalents		510,714	1,629,333
Cash and cash equivalents at beginning of the year	30	5,234,103	3,604,770
Cash and cash equivalents at end of the year	30	5,744,817	5,234,103

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.



Chairman



President / Chief Executive



Director



Director

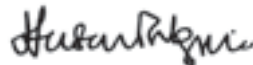
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

	Share capital	Statutory reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in '000 -----			
Balance as at January 01, 2011	5,279,679	9,310	(554,985)	4,734,004
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	409,556	409,556
Transfer to statutory reserve	-	81,911	(81,911)	-
Balance as at December 31, 2011	<u>5,279,679</u>	<u>91,221</u>	<u>(227,340)</u>	<u>5,143,560</u>
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	410,853	410,853
Transfer to statutory reserve	-	82,171	(82,171)	-
Balance as at December 31, 2012	<u><u>5,279,679</u></u>	<u><u>173,392</u></u>	<u><u>101,342</u></u>	<u><u>5,554,413</u></u>

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.



Chairman



President / Chief Executive



Director



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

1 STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 141 branches including 53 sub branches as at December 31, 2012 (2011: 102 branches including 32 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited.

Based on the financial statements of the Bank for the year ended December 31, 2011, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The State Bank of Pakistan (SBP) vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at December 31, 2012 amounts to Rs 5.280 billion although its CAR stands at 15.19 percent.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. Recently, the SBP vide its letter no. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting the paid up capital (free of losses) of Rs 6 billion and to submit the reassessed issue price of right shares till March 31, 2013. Moreover, the Bank has also been advised by the SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes as briefly explained in note 5.3.

The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor.

- 2.2 These financial statements are the separate financial statements of the Bank in which investments in subsidiaries are carried at cost and are not consolidated. The consolidated financial statements of the Group are being issued separately.

3 STATEMENT OF COMPLIANCE

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

- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3** SBP through its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of Available-For-Sale Securities (AFS) only may be included in the 'Statement of Comprehensive Income' but will continue to be shown separately in the Statement of Financial Position. Accordingly, the above requirements have been adopted in the preparation of these financial statements.
- 3.4** IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by SBP.

3.5 Change in accounting policies and disclosure

The SBP vide BSD Circular Letter No. 03 of 2013 dated January 22, 2013 has made certain changes to the 'Revised Forms of Annual Financial Statements' as applicable to the Bank, which have been made effective from December 31, 2012.

As required under the directive issued by the SBP, the Bank has changed its accounting policy in respect of presentation and disclosure of Islamic financing and related assets as under:

- The head 'Financings' in the Statement of Financial Position has been renamed as 'Islamic financing and related assets'.
- All financing, advances (against murabaha etc), inventories and related assets previously being reported under 'other assets' have now been made part of 'Islamic financing and related assets'.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and accordingly the comparative figures have been restated. The effect of change in the accounting policy on the current and prior period financial statements have been summarised below:

	December 31, 2012	December 31, 2011	December 31, 2010
	----- (Rupees in '000) -----		
Impact on Statement of Financial Position			
Decrease in other assets (net of provisions)	(4,507,469)	(4,555,058)	(2,895,585)
Increase in Islamic financing and related assets	4,507,469	4,555,058	2,895,585
Impact on Profit and Loss Account			
Decrease in other provisions / write offs	(8,816)	(39,100)	-
Increase in provisioning against Islamic financing and related assets	8,816	39,100	-

3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on the financial statements of the Bank.

3.7 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments will have no impact on financial statements of the Bank.
- IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The impact on the Bank will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The amendment may impact the financial statements of the Bank which has not yet been quantified.
- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Bank is yet to assess IFRS 10's full impact.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Bank is yet to assess IFRS 12's full impact.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.8 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2012.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. Further, staff retirement benefits as disclosed in notes 5.6 and 32 to the financial statements have been carried at present values as determined under International Accounting Standard 19, "Employee Benefits."

4.2 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Rounding off

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

4.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Critical judgment in classification and valuation of investments in accordance with the Bank's policy (notes 5.2 and 9).
- (b) Provision for non-performing Islamic financing and related assets (notes 5.3 and 10.14).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 10.14.2.1).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 5.2.5 and 9).
- (e) Staff retirement benefits (notes 5.6 and 32).
- (f) Depreciation and amortization methods of operating fixed assets (notes 5.4 and 11).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 5.5, 12 and 28).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise specified.

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Investments

5.2.1 Classification

Investments of the Bank, other than investments in associates and subsidiaries are classified as follows:

(a) Held-for-trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held- to-maturity

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

(c) Available-for-sale

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

5.2.2 Regular way contracts

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

5.2.3 Initial recognition and measurement

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

Premium or discount on debt securities classified as available for sale is amortised using the effective profit rate method and taken to the profit and loss account.

5.2.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the statement of comprehensive income but is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Break up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

(d) Investments in associates

Associates are all entities over which the Bank has significant influence but not control. Investments in associate is carried at cost less accumulated impairment losses, if any.

(e) Investments in subsidiaries

Subsidiaries are all entities over which the Bank has significant control. Investments in subsidiary is carried at cost less accumulated impairment losses, if any.

5.2.5 Impairment

Available for sale and Held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the Statement of Financial Position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Investment in associates and subsidiaries

In respect of investment in associates, the Bank reviews their carrying values at each reporting date to assess whether there is an indication of impairment. Such indication may include significant and prolonged decline in the market value, significant changes with an adverse impact on the entity, carrying amount of net assets in excess of market capitalisation etc. Management also takes into account that these investments are held for long term and therefore considers decline of upto 40% in value (applying significant decline criteria) and upto 12 months (for applying prolonged criteria) for the purposes of assessing significant and prolonged decline for listed investments. However, any threshold should be justifiable in view of other factors present for the entity. The amount of impairment loss would be determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the profit and loss account.

5.2.6 Gains or losses on sale of investments are included in profit and loss for the year.

5.3 Islamic financing and related assets

Islamic financing and related assets are financial products originated by the Bank and principally comprise Murabaha, Istisn'a, Ijarah, Salam, Musawama and Diminishing Musharaka financing and the related assets. These are stated net of general and specific provisions.

Specific provision

The Bank maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

The Bank also maintains general provision at the rate of 5% against unsecured consumer portfolio and at the rate of 1.5% against secured consumer portfolio in accordance with the Prudential Regulations issued by the SBP.

The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

5.3.1 Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

5.3.2 The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. In principle on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Bank purchases the assets / goods subject of the Murabaha from a third party and takes the possession thereof. However the Bank can appoint the client as its agent to purchase the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisn'a is an order to manufacture or construct some assets. Istisn'a has two legs: first the Bank acquires the described goods by way of Istisna to be manufactured by the customer from raw material of its own and once the goods are delivered to the Bank, the customer through an independent agency contract, will sell the same to various end-users as the agent of the Bank.

Ijarah is a contract in which the Bank buys and rents a productive asset to a person short of funds and in need of that asset.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawama is a sale transaction in which price of a commodity to be traded is bargained between the seller and the purchaser without any reference to the cost incurred by the seller.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.3.3 Ijarah Financing

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFAS-2.

- (a) Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. The unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charged are taken to the profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

5.4 Operating fixed assets and depreciation

5.4.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 11.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

5.4.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any.

5.4.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

Amortization on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

5.4.4 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

5.5 Taxation

5.5.1 Current

The provision for current taxation is based on taxable income for the year at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as allowed under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

5.5.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting 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 utilised.

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

5.6 Staff retirement benefits

5.6.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity fund, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2012. Actuarial gains and losses are recognised as income or expense over the average remaining working lives of the employees, if the net cumulative unrecognized actuarial gains or losses for the fund at the end of the previous financial year exceed 10% of the higher of defined benefit obligation and the fair value of the plan assets.

5.6.2 Defined contribution plan

The Bank operates a recognised contributory provident fund for all the permanent employees. Equal monthly contributions are made both by the Bank and the employees at the rate of 10 % of the basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

5.7 Revenue recognition

5.7.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

5.7.2 Profit from Istisn'a is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Bank. Profit from Diminishing Musharaka, Salam and Musawama are recognised on a time proportionate basis.

5.7.3 The Bank follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

5.7.4 Profit on Diminishing Musharaka is recognised on an accrual basis.

5.7.5 Provisional profit of Musharaka / Modaraba financing is recognised on an accrual basis. Actual profit / loss on Musharaka and Modaraba financing is adjusted for declaration of profit by Musharaka partner / mudarib or at liquidation of Musharaka / Modaraba.

5.7.6 Profit on classified financing is recognised on receipt basis.

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

5.7.8 Gains and losses on sale of investments are included in the profit and loss account.

5.7.9 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transaction consummates within an accounting period. Fee on guarantees, if considered material, is recognised over the period of guarantee.

5.7.10 Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

5.8 Financial Instruments

5.8.1 Financial assets and financial liabilities

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the statement of financial position includes cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financing and related assets and certain receivables and financial liabilities include bills payable, due to financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.8.2 Offsetting of financial instruments

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

5.8.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to profit and loss account currently.

5.9 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

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

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

5.10 Acceptances

Acceptances comprise promises by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities.

5.11 Fiduciary assets

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

5.12 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is remote.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Charge to the profit and loss account is stated net of expected recoveries.

5.13 Deferred costs

As allowed by SBP pre-operating / preliminary expenses are included in deferred costs and these are amortized over a maximum period of five years on straight line basis from the date of commencement of business.

5.14 Segment reporting

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

5.14.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, credit, funding, own position securities, placements and islamic financing and related assets.

Retail banking

It includes retail islamic financing and related assets, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Support Centre

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

5.14.2 Geographical segment

The Bank has 141 branches including 53 sub branches (2011: 102 branches including 32 sub branches) and operates only in Pakistan.

5.15 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claim are stated at the lower of the financed amount and their market value at the time of acquisition. The Bank carries out periodic valuation of these assets and any decline in their value below the recognized amount is charged to the profit and loss account. These assets are disclosed in other assets as specified by the SBP.

5.16 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6 CASH AND BALANCES WITH TREASURY BANKS	Note	2012 ----- Rupees in '000 -----	2011
In hand			
- local currency		937,121	835,990
- foreign currency		158,943	97,403
		1,096,064	933,393
With the State Bank of Pakistan in			
- local currency current account	6.1	2,850,184	2,857,995
- foreign currency deposit accounts			
Cash Reserves Account	6.2	67,228	42,005
Special Cash Reserve Account	6.3	80,925	50,189
US Dollar Clearing Account	6.4	19,296	16,634
		167,449	108,828
With National Bank of Pakistan in			
- local currency current account		825,010	784,610
		4,938,707	4,684,826

6.1 This represents Rs.2,850.184 million (2011: Rs. 2,857.995 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement. The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

- 6.2** As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 6.3** Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit was not remunerated (2011: Nil).
- 6.4** This includes Rs.136.352 million (2011: Rs.70.883 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. The balance amount is available to the Bank for its operations. These deposits do not carry any return.

7	Note	2012	2011
----- Rupees in '000 -----			
BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		7,915	15,206
- on deposit accounts	7.1	121	113
		8,036	15,319
Outside Pakistan			
- on current accounts		798,074	533,958
- on deposit accounts		-	-
		798,074	533,958
		806,110	549,277

- 7.1** Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rate on these arrangements is 6% (2011: 5 %) per annum.

8	Note	2012	2011
----- Rupees in '000 -----			
DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	8.1	6,418	6,418
Commodity Murabaha - local currency	8.2 & 8.3	4,975,672	3,911,264
		4,982,090	3,917,682
Musharaka Placement	8.4	3,500,000	525,000
	8.5	8,482,090	4,442,682
Provision against Sukuk Murabaha	8.1	(6,418)	(6,418)
		8,475,672	4,436,264

- 8.1** The Bank entered into Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuk from the open market on its behalf and later sell them on deferred Murabaha basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

- 8.2** The Bank has entered into Commodity Murabaha agreements under which the Bank purchases an underlying commodity from the open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreement range between 6.95% to 9.75% (2011: 10.75% to 12.5%) per annum and the agreements have a maturity ranging from 2 days to 63 days.

	2012	2011
----- Rupees in '000 -----		
8.3 Commodity Murabaha sale price	442,116,530	529,196,217
Purchase price	(441,486,000)	(528,466,000)
	630,530	730,217
Deferred Commodity Murabaha income		
Opening balance	7,399	10,474
Deferred during the year	630,530	730,217
Recognised during the year	(604,784)	(733,292)
	33,145	7,399
Commodity Murabaha		
Opening balance	3,911,264	4,513,132
Sales during the year	442,116,530	529,196,217
Received during the year	(441,052,122)	(529,798,085)
	4,975,672	3,911,264

- 8.4 The Bank has entered into Musharaka arrangements under which the Bank contributes money with other financial institutions for profit and loss sharing based on predetermined ratio. The profit rates on these arrangements range between 9% to 9.5% (2011: 11.90%) per annum and the arrangements have a maturity ranging from 2 to 35 days.

8.5 Particulars of amounts due from financial institutions with respect to currencies:	2012	2011
	----- Rupees in '000 -----	
- In local currency	8,482,090	4,442,682
- In foreign currency	-	-
	<u>8,482,090</u>	<u>4,442,682</u>

9 INVESTMENTS

9.1 Investments by types

Note	-----2012-----			-----2011-----		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
----- (Rupees in '000) -----						
Available for sale securities						
Sukuk / Certificates	27,816,066	-	27,816,066	20,630,926	-	20,630,926
Units of Open-end mutual fund	960,015	-	960,015	15	-	15
Units of Closed-end mutual fund	6	-	6	6	-	6
	<u>28,776,087</u>	-	<u>28,776,087</u>	<u>20,630,947</u>	-	<u>20,630,947</u>
Subsidiary						
Unlisted Company	191,015	-	191,015	191,015	-	191,015
	<u>28,967,102</u>	-	<u>28,967,102</u>	<u>20,821,962</u>	-	<u>20,821,962</u>
Total investments at cost						
Less: Provision for diminution in value of investments	-	-	-	(15,000)	-	(15,000)
Investments - net of Provisions	<u>28,967,102</u>	-	<u>28,967,102</u>	<u>20,806,962</u>	-	<u>20,806,962</u>
Surplus on revaluation of available-for-sale securities	27,360	-	27,360	260,120	-	260,120
	<u>28,994,462</u>	-	<u>28,994,462</u>	<u>21,067,082</u>	-	<u>21,067,082</u>

9.2 Investments by segments	Note	2012	2011
		----- Rupees in '000 -----	
Federal Government Securities			
GOP Ijarah Sukuks	9.3	25,658,151	18,300,248
Sukuk certificates			
Sukuks - unlisted	9.3	2,157,915	2,330,678
Fully paid up ordinary shares / Units			
Unlisted subsidiary company	9.6	191,015	191,015
Units of Open-end Mutual Funds	9.4	960,015	15
Units of Closed-end Mutual Funds	9.4	6	6
		<u>28,967,102</u>	<u>20,821,962</u>
Less: Provision for diminution in value of investments	9.7	-	(15,000)
Investments - net of provisions		<u>28,967,102</u>	<u>20,806,962</u>
Surplus on revaluation of available-for-sale securities	20	27,360	260,120
		<u>28,994,462</u>	<u>21,067,082</u>

9.3 Available for sale securities

Name of the investee company	Note	2012 Number of Certificates	2011	Face Value (Rupees)	2012 Cost ----- Rupees in '000 -----	2011 Cost
Sukuk Certificates						
Federal Government						
Ijarah GOP Sukuk - 3	9.3.1	-	20,000	100,000	-	2,000,000
Ijarah GOP Sukuk - 5	9.3.2	58,550	50,000	100,000	5,890,393	5,000,000
Ijarah GOP Sukuk - 6	9.3.3	25,000	25,000	100,000	2,518,702	2,500,000
Ijarah GOP Sukuk - 7	9.3.4	31,500	30,500	100,000	3,184,701	3,050,000
Ijarah GOP Sukuk - 8	9.3.5	22,500	22,500	100,000	2,271,420	2,250,248
Ijarah GOP Sukuk - 9	9.3.6	36,250	35,000	100,000	3,661,790	3,500,000
Ijarah GOP Sukuk - 10	9.3.7	25,750	-	100,000	2,575,663	-
Ijarah GOP Sukuk - 12	9.3.8	25,000	-	100,000	2,525,452	-
Ijarah GOP Sukuk - 11	9.3.9	30,000	-	100,000	3,030,030	-
					25,658,151	18,300,248
Others						
First WAPDA Sukuk	9.3.10	-	60,000	5,000	-	299,737
Second WAPDA Sukuk	9.3.11	134,000	134,000	5,000	557,562	668,903
Pak Electron Sukuk	9.3.12	60,000	60,000	5,000	128,571	128,571
Amtex Sukuk	9.3.13	59,000	59,000	5,000	221,250	221,250
Engro Fertilizer Sukuk	9.3.14	65,000	65,000	5,000	323,105	322,511
Security Leasing Sukuk	9.3.15	2,000	2,000	5,000	3,691	4,219
Third Sitara Chemicals Sukuk	9.3.16	8,000	8,000	5,000	3,333	16,667
Sitara Energy Sukuk - 1	9.3.17	-	6,000	5,000	-	6,247
Sitara Energy Sukuk - 2	9.3.18	-	4,000	5,000	-	4,028
New Allied Electronics (LG) - Sukuk	9.3.19	11,000	11,000	5,000	55,000	55,000
Sui Southern Gas Company Sukuk	9.3.20	120,000	84,000	5,000	600,000	168,000
Kohat Cement Sukuk	9.3.21	27,000	27,000	5,000	30,984	95,310
Eden Housing Sukuk	9.3.22	50,000	50,000	5,000	107,750	156,900
Optimus Sukuk	9.3.23	50,000	50,000	5,000	104,169	145,835
HBFC Sukuk	9.3.24	15,000	15,000	5,000	22,500	37,500
					2,157,915	2,330,678
					<u>27,816,066</u>	<u>20,630,926</u>

9.3.1 The profit rate on these sukuk comprises of six months weighted average yield of market treasury bills. The principal is redeemable on maturity in March 2012. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.2 The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in November 2013. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.3 The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in December 2013. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.4 The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2014. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.5 The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in May 2014. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.6 The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in December 2014. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.7 The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2015. These are backed by Government of Pakistan's Sovereign Guarantee.

- 9.3.8** The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in June 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.9** The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in April 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.10** These carried profit at the rate of six months KIBOR plus 35 basis points (2011: six months KIBOR plus 35 basis points) receivable on semi-annual basis. The sukuk matured in October 2012 and the principal and profit were repaid on maturity. The purchase price and rentals were backed by Government of Pakistan's Sovereign Guarantee.

The Bank had purchased 10,000 certificates on June 25, 2009 of WAPDA – 1 Sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been reclassified to other assets.

- 9.3.11** These carry profit at the rate of six months KIBOR minus 25 basis points (2011: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal is repayable in 12 equal semi-annual installments with first installment falling due in the 54th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.12** These Sukuks have been restructured last year. These Sukuks carry profit at the rate of three months KIBOR plus 175 basis points (2011: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2014. The outstanding principal will be redeemed in 6 equal quarterly installments starting from June 2013.
- 9.3.13** These carry profit at the rate of three months KIBOR plus 200 basis points (2011: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism. The sukuks matured in October 2012. As per the terms, principal was due to be redeemed in 12 consecutive quarterly installments with the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuk are backed by guarantee of Rs. 740 million from the Bank of Punjab. During 2010, Amtex defaulted in its principal repayment. Consequently, the Bank suspended the accrual of profit from the Sukuk. In 2011, the Bank called the guarantee provided by the Bank of Punjab. During the year, the guarantee expired however the legal advisor of the Bank is of the opinion that the amount will be recovered as the guarantee for the same had been called before its expiry.
- 9.3.14** These carry profit at the rate of six months KIBOR plus 150 basis points (2011: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharaka mechanism with maturity in September 2015. Principal repayment to be made in two consecutive, equal semi annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility. As a security first pari passu charge has been provided on all present and future fixed assets of the Company with margin.
- 9.3.15** These Sukuks have been further restructured w.e.f. March 2011. After restructuring these Sukuks carry profit at the rate of 0%, (2011: 6% (3% Cash + 3% accrual) upto September 2011 receivable monthly and thereafter at the rate of 1 month KIBOR upto maturity. The accrued profit amount to be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010). As per the new restructured plan principal will be repaid in 36 monthly installments and the accrued portion of profit upto March 2011 has also been waived.

However, the issuer was unable to comply with the above restructuring plan and has executed a revised restructuring plan which has been approved by the minority sukuk holders. Currently, the customer is making payments as per the restructuring plan approved by the minority sukuk holders.

- 9.3.16** These carry profit at the rate of three months KIBOR plus 100 basis points (2011: three months KIBOR plus 100 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. The principal will be redeemed in 12 equal quarterly installments the first such installment falling due on the 27th month from the date of first draw down. As a security specific and exclusive hypothecation charge in respect of the Musharaka assets in favour of the investors to the extent of entire legal ownership rights of the company (covering the entire amount of Sukuk along with an 18.22% margin) is provided. There is an early purchase option available to the issuer after 2 years of disbursement with "No Early Payment Penalty".

9.3.17 These carry profit at the rate of six months KIBOR plus 195 basis points (2011: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin has been provided.

9.3.18 These carry profit at the rate of six months KIBOR plus 195 basis points (2011: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin has been provided.

9.3.19 These carry profit at the rate of three months KIBOR plus 220 basis points (2011: three months KIBOR plus 220 basis points) receivable semi-annually with maturity in December 2012. The principal was to be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 800 million of the company, irrevocable guarantee of a Financial Institution and Personal Guarantee of sponsoring directors has been provided. The customer has defaulted in its payments towards the Bank. An amount of Rs. 55 million has been deposited with the Bank over which lien in favour of the Bank has been marked. Hence, no provision has been recognised by the Bank.

9.3.20 These carry profit at the rate of three months KIBOR plus 20 basis points (2011: three months KIBOR plus 20 basis points) receivable on quarterly basis. The sukuk matured in December 2012 and the principal and profit was repaid on maturity. The purchase price and rentals were backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin had been provided.

These carry profit at the rate of three months KIBOR plus 75 basis points receivable on quarterly basis. The purchase price and rentals are backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin had been provided.

9.3.21 These sukuks have been restructured last year. These Sukuks carry profit at the rate of three months KIBOR plus 150 basis points (2011: three months KIBOR plus 150 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2016. As per the new "Restructuring Agreement", principal to be redeemed with revised mechanism and profit for the first four quarters will go into a frozen account, which will be retired through payments made from the 13th quarter to the 20th quarter. As a security first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount, along with 25% margin and first ranking mortgage over all present and future immoveable properties of the Company with a 25% margin over the facility amount has been provided.

9.3.22 These Sukuks carry profit at the rate of three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014. (2011: three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014) receivable quarterly based on Diminishing Musharaka mechanism with maturity in June 2014. These sukuks were restructured in 2010, Accordingly the principal redemption started from September 2010 till June 2014 and will be calculated using the percentage as mentioned in the "Restructuring Agreement". As a security charge over hypothecated assets amounting to Rs. 2,445 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) has been created by the issuer in favour of the trustee.

9.3.23 These carry profit at the rate of six months KIBOR plus 125 basis points (2011: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly installments, the first such installment falling due not later than the end of the 15th month from the last drawdown. As a security, first specific charge on specified vehicles amounting to Rs. 250 million of the company (on market value to be established every year by approved valuator) and a 25% margin over the principal amount in the form of first floating charge on the company's present and future current assets has been provided.

9.3.24 These carry profit at the rate of six months KIBOR plus 100 basis points (2011: six months KIBOR plus 100 basis points) receivable semi annually and the first such profit payment will fall due after six months from the issue date with maturity in May 2014. As a security first charge over specific assets of the Company with 25% security margin has been provided. The principal will be redeemed in 10 equal semi-annual installments starting from 18th month of the date of issue of Sukuk.

9.4 Details of investments in Mutual Funds

Name of investee fund	2012	2011	2012	2011
	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	141	128	5	5
Meezan Islamic Fund	199	166	5	5
Meezan Islamic Income Fund	131	115	5	5
ABL Islamic Income Fund	23,992,802	-	240,000	-
UBL Islamic Sovereign Fund	2,389,962	-	240,000	-
Askari Islamic Income Fund	2,389,327	-	240,000	-
MCB Islamic Income Fund	2,397,123	-	240,000	-
			960,015	15
Closed end mutual funds				
Meezan Balanced Fund	1,000	1,000	6	6
			960,021	21

9.5 Quality of Available for Sale Securities

Sukuks / Certificates - (at market value / cost)	2012	2011	2012	2011
	Long / Medium Term Rating (Where available)		Rupees in '000	
Ijarah GOP Sukuk - 3	Unrated	Unrated	-	2,017,600
Ijarah GOP Sukuk - 5	Unrated	Unrated	5,897,742	5,055,000
Ijarah GOP Sukuk - 6	Unrated	Unrated	2,523,250	2,563,000
Ijarah GOP Sukuk - 7	Unrated	Unrated	3,179,610	3,125,335
Ijarah GOP Sukuk - 8	Unrated	Unrated	2,272,050	2,280,825
Ijarah GOP Sukuk - 9	Unrated	Unrated	3,655,087	3,512,950
Ijarah GOP Sukuk - 10	Unrated	Unrated	2,603,066	-
Ijarah GOP Sukuk - 12	Unrated	Unrated	2,524,000	-
Ijarah GOP Sukuk - 11	Unrated	Unrated	3,027,300	-
WAPDA First Sukuk Certificates	Unrated	Unrated	-	301,410
WAPDA Second Sukuk Certificates	Unrated	Unrated	560,232	672,881
Pak Elektron Limited Sukuk - Sukuk	A	A	128,571	128,571
Amtex Sukuk - Sukuk	D (SO)	D (SO)	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A	AA	323,105	322,511
Security Leasing - Sukuk	Unrated	Unrated	3,691	4,219
Sitara Chemical Industries Limited - Third Sukuk	A+	A+	3,333	16,667
Sitara Energy Limited - Sukuk	Unrated	Unrated	-	6,247
Sitara Energy Limited - Sukuk	Unrated	Unrated	-	4,028
New Allied Electronics (LG) - Sukuk	Default	Default	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA	600,000	168,000
Kohat Cement - Sukuk	Withdrawn	Withdrawn	30,984	95,310
Eden Housing - Sukuk	D	D	107,750	156,900
Optimus - Sukuk	A	A	104,169	145,835
House Building Finance Corporation - Sukuk	A	A	22,500	37,500
			27,842,690	20,891,039
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA+(f)	7	6
Meezan Islamic Fund	MFR 5-Star	5 Star	10	7
Meezan Islamic Income Fund	A+(f)	A+(f)	7	6
ABL Islamic Income Fund	A+(f)		240,307	-
UBL Islamic Sovereign Fund	AA-		240,000	-
Askari Islamic Income Fund	AA-		240,183	-
MCB Islamic Income Fund	A-(f)		240,231	-
Units of closed-end mutual funds (at market value)				
Meezan Balanced Fund	AM2	AM2	12	9
			960,757	28
			28,803,447	20,891,067
Less: Provision for diminution in the value of investments			-	(15,000)
			28,803,447	20,876,067

	Holding %	Breakup Value Per Share	Cost	
			2012	2011
----- Rupees in '000 -----				
9.6 Details of investment in unlisted subsidiary				
BankIslami Modaraba Investments Limited Chief Executive Mr. Zulfiqar Ali 8,000,000 (2011: 8,000,000) Ordinary shares of Rs.10/- each	100	18.62	191,015	191,015

Breakup value per share is based on the financial statements of the subsidiary for the half year ended December 31, 2012.

	Note	2012		2011	
		----- Rupees in '000 -----		----- Rupees in '000 -----	
9.7 Particular of provision for diminution in the value of investments					
Opening balance	9.7.1	15,000	15,000	15,000	15,000
Charge for the year		-	-	-	-
Reversal during the year		(15,000)	-	-	-
Closing balance		-	-	15,000	15,000
9.7.1 Particulars of provision in respect of type and segment					
Sukuk certificates - Available for sale securities		-	-	15,000	15,000

10 ISLAMIC FINANCING AND RELATED ASSETS

	Note	2012			2011		
		----- Rupees in '000 -----			----- Rupees in '000 -----		
Restated							
In Pakistan							
- Murabaha financing and related assets	10.1, 10.6 & 10.8	7,550,602	7,699,202	7,676,366	7,676,366	7,676,366	7,676,366
- Istisn'a financing and related assets	10.2 & 10.7	5,573,155	5,156,785	3,100,168	3,100,168	3,100,168	3,100,168
- Diminishing Musharka - Housing		1,645,458	1,562,950	946,765	946,765	946,765	946,765
- Diminishing Musharka financing and related assets - Others	10.3	5,646,582	6,461,112	5,541,718	5,541,718	5,541,718	5,541,718
- Against Bills - Murabaha		1,505	65,452	9,575	9,575	9,575	9,575
- Against Bills - Musawama		-	-	2,640	2,640	2,640	2,640
- Post Due Acceptance		38,192	53,397	-	-	-	-
- Musawama financing and related assets	10.4	4,920,580	1,878,760	-	-	-	-
- Financing to employees	10.11	661,837	511,687	400,381	400,381	400,381	400,381
		26,037,911	23,389,345	17,677,613	17,677,613	17,677,613	17,677,613
Housing finance portfolio		153,637	156,111	809,277	809,277	809,277	809,277
Net investment in Ijarah financing in Pakistan	10.11	180,591	371,701	706,358	706,358	706,358	706,358
Ijarah financing under IFAS 2 and related assets	10.5 & 10.12.1	1,561,690	1,137,797	701,434	701,434	701,434	701,434
Gross financing and related assets		27,933,829	25,054,954	19,894,682	19,894,682	19,894,682	19,894,682
Less: Provision against non-performing Financing and related assets	10.9 & 10.10						
- Specific		(467,002)	(360,523)	(296,681)	(296,681)	(296,681)	(296,681)
- General		(33,565)	(28,972)	(32,291)	(32,291)	(32,291)	(32,291)
Financing and related assets – net of provisions		27,433,262	24,665,459	19,565,710	19,565,710	19,565,710	19,565,710
10.1 Murabaha financing and related assets							
Murabaha financing		6,250,321	6,343,955	6,870,285	6,870,285	6,870,285	6,870,285
Advance against Murabaha financing		1,300,281	1,355,247	806,081	806,081	806,081	806,081
		7,550,602	7,699,202	7,676,366	7,676,366	7,676,366	7,676,366

	2012	2011 Restated	2010 Restated
	-----Rupees in '000-----		
10.2 Istisn'a financing and related assets			
Istisn'a financing	3,106,141	2,630,000	1,445,000
Advance against Istisn'a financing	2,306,884	2,526,785	1,655,168
Istisn'a inventories	160,130	-	-
	<u>5,573,155</u>	<u>5,156,785</u>	<u>3,100,168</u>
10.3 Diminishing Musharka financing and related assets			
Diminishing Musharka financing	5,637,986	6,280,778	5,161,718
Advance against Diminishing Musharka financing	8,596	180,334	380,000
	<u>5,646,582</u>	<u>6,461,112</u>	<u>5,541,718</u>
10.4 Musawama financing and related assets			
Musawama financing	4,362,980	1,427,500	-
Advance against Musawama financing	-	-	-
Musawama inventories	557,600	451,260	-
	<u>4,920,580</u>	<u>1,878,760</u>	<u>-</u>
10.5 Ijarah financing under IFAS 2 and related assets			
Net book value of assets / investment in Ijarah under IFAS 2	1,339,796	1,057,265	647,098
Advance against Ijarah financing	221,894	80,532	54,336
	<u>1,561,690</u>	<u>1,137,797</u>	<u>701,434</u>
10.6 Murabaha financing and related assets includes financing amounting to Rs. 138.241 million (2011: Rs 99.999 million) against Murabaha under Islamic Export Refinance Scheme.			
10.7 Istisna financing and related assets amounting to Rs. 255.015 million (2011: Rs 350 million) against Istisna under Islamic Export Refinance Scheme.			
	2012	2011	2010
	-----Rupees in '000-----		
10.8 Murabaha sale price	20,508,225	22,441,710	17,829,687
Purchase price	(19,708,785)	(21,596,731)	(17,117,952)
	<u>799,440</u>	<u>844,979</u>	<u>711,735</u>
10.8.1 Deferred Murabaha income			
Opening balance	125,122	160,141	81,312
Arising during the year	799,440	844,979	711,735
Recognised during the year	(807,685)	(879,998)	(632,906)
	<u>116,877</u>	<u>125,122</u>	<u>160,141</u>
10.8.2 Murabaha receivable			
Opening balance	6,343,955	6,870,285	4,180,471
Sales during the year	20,508,225	22,441,710	17,829,687
Received during the year	(20,601,859)	(22,968,040)	(15,139,873)
	<u>6,250,321</u>	<u>6,343,955</u>	<u>6,870,285</u>
	2012	2011	2010
	----- Rupees in '000 -----		
10.9 Particulars of Islamic financing and related assets			
10.9.1 In local currency	<u>27,933,829</u>	<u>25,054,954</u>	<u>19,894,682</u>
10.9.2 Short -Term (for upto one year)	19,087,562	17,189,709	14,110,443
Long- Term (for over one year)	8,846,267	7,865,245	5,784,239
	<u>27,933,829</u>	<u>25,054,954</u>	<u>19,894,682</u>

10.10 This includes Rs 2.006 million (2011: Rs 2.274 million) markup free financing to employees advanced under the Bank's Human Resource Policy.

10.11 Net investment in Ijarah financing in Pakistan

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	73,354	67,966	-	141,320	71,352	207,138	-	278,490
Residual value	63,230	9,215	-	72,445	115,502	46,851	-	162,353
Minimum Ijarah payments	136,584	77,181	-	213,765	186,854	253,989	-	440,843
Profit for future periods	(15,325)	(17,849)	-	(33,174)	(12,656)	(56,486)	-	(69,142)
Present value of minimum Ijarah payments	121,259	59,332	-	180,591	174,198	197,503	-	371,701

10.12 Net investment in Ijarah financing - IFAS 2

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	514,084	790,405	-	1,304,489	797,620	119,008	-	916,628

10.12.1 Ijarah Assets

	2012							
	Cost			Accumulated depreciation			Book value as at December 31, 2012	Rate of Depreciation %
	As at January 01, 2012	Addition / (deletions)	As at December 31, 2012	As at January 01, 2012	Charge / (deletions)	As at December 31, 2012		
----- (Rupees in '000) -----								
Plant and Machinery	524,386	107,015 (150,765)	480,636	135,764	151,806 (82,518)	205,052	275,584	20-33.33
Vehicles	896,083	709,425 (141,600)	1,463,908	227,440	239,765 (67,509)	399,696	1,064,212	20-33.33
	1,420,469	816,440 (292,365)	1,944,544	363,204	391,571 (150,027)	604,748	1,339,796	

	2011							
	Cost			Accumulated depreciation			Book value as at December 31, 2011	Rate of Depreciation %
	As at January 01, 2011	Addition / (deletions)	As at December 31, 2011	As at January 01, 2011	Charge / (deletions)	As at December 31, 2011		
----- (Rupees in '000) -----								
Plant and Machinery	180,995	343,391	524,386	29,383	106,381	135,764	388,622	20-33.33
Vehicles	582,817	415,195 (101,929)	896,083	87,331	149,560 (9,451)	227,440	668,643	20-33.33
	763,812	758,586 (101,929)	1,420,469	116,714	255,941 (9,451)	363,204	1,057,265	

10.13 Islamic financing and related assets include Rs. 1,205.222 million (2011: Rs. 838.101 million) which have been placed under non-performing status as follows:

Category of Classification	2012								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
Substandard	89,171	-	89,171	560	-	560	560	-	560
Doubtful	318,084	-	318,084	57,890	-	57,890	57,890	-	57,890
Loss	797,967	-	797,967	408,552	-	408,552	408,552	-	408,552
	1,205,222	-	1,205,222	467,002	-	467,002	467,002	-	467,002

Category of Classification	2011 (Restated)								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
Substandard	71,810	-	71,810	1,816	-	1,816	1,816	-	1,816
Doubtful	67,648	-	67,648	848	-	848	848	-	848
Loss	698,643	-	698,643	357,859	-	357,859	357,859	-	357,859
	838,101	-	838,101	360,523	-	360,523	360,523	-	360,523

Category of Classification	2010 (Restated)								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Substandard	53,570	-	53,570	5,008	-	5,008	5,008	-	5,008
Doubtful	52,521	-	52,521	8,350	-	8,350	8,350	-	8,350
Loss	553,956	-	553,956	283,323	-	283,323	283,323	-	283,323
	660,047	-	660,047	296,681	-	296,681	296,681	-	296,681

10.14 Particulars of provision against non-performing Islamic financing and related assets:

	2012			2011 (Restated)			2010 (Restated)		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----									
Opening balance	360,523	28,972	389,495	296,681	32,291	328,972	230,928	18,781	249,709
Charge for the year	129,847	4,593	134,440	140,628	-	140,628	69,599	2,049	71,648
Reversals	(23,368)	-	(23,368)	(76,786)	(3,319)	(80,105)	(79,072)	-	(79,072)
	106,479	4,593	111,072	63,842	(3,319)	60,523	(9,473)	2,049	(7,424)
Transferred during the year	-	-	-	-	-	-	75,226	11,461	86,687
Closing balance	467,002	33,565	500,567	360,523	28,972	389,495	296,681	32,291	328,972

10.14.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by SBP and for potential losses on financing.

10.14.2 Particulars of provision against non-performing Islamic financing and related assets:

	2012			2011 (Restated)			2010 (Restated)		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----									
In local currency	467,002	33,565	500,567	360,523	28,972	389,495	296,681	32,291	328,972
In foreign currency	-	-	-	-	-	-	-	-	-
	467,002	33,565	500,567	360,523	28,972	389,495	296,681	32,291	328,972

- 10.14.2.1** In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financing. Had the benefit of FSV not been availed by the Bank, the specific provision against non-performing financing and related assets would have been higher and consequently profit before taxation and Islamic financing and related assets (net of provisions) as at December 31, 2012 would have been lower by approximately Rs 23 million (2011: 68 million). The accumulated benefit availed as at December 31, 2012 amounts to Rs 79 million (2011: Rs 231 million). The increase in profit, due to availing of the benefit, is not available for distribution as cash and stock dividend to share holders.
- 10.14.2.2** The non performing Islamic financing and related assets include Rs. 175 million disbursed to Agritech Limited. The required provision as at December 31, 2012 in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan against Agritech Limited amounted to Rs 87.5 million. However, the State Bank of Pakistan vide its letter no. BPRD / BRD - (Policy) / 2013-1857 dated February 15, 2013 has provided relaxation to the Bank, whereby the Bank is allowed to recognise provision in a phased manner against outstanding exposure and maintain at least 10%, 25%, 50%, 75%, and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013, subject to the condition that the provision already recorded before relaxation shall not be reversed. The Bank has already recorded provision amounting to Rs. 43.75 million in respect of outstanding exposure of Agritech Limited as at September 30, 2012. Therefore, the Bank has maintained total provision of Rs. 43.75 million in respect of outstanding exposure of Agritech Limited.
- 10.14.2.3** The non performing Islamic financing and related assets include Rs. 100.98 million disbursed to Gulshan Weaving Mills Limited. The required provision as at December 31, 2012 in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan against Gulshan Weaving Mills Limited amounted to Rs. 50.49 million. However, the State Bank of Pakistan vide its letter no. BPRD / BRD - 04 / Faysal / 2013 / 1695 dated February 13, 2013 has provided relaxation to the Bank, whereby the Bank is allowed to recognise provision in a phased manner against outstanding exposure and maintain at least 25%, 50%, 75%, and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013. Following relaxation provided by the SBP, the Bank has recorded total provision of Rs. 12.497 million in respect of outstanding exposure of Gulshan Weaving Mills Limited.

	Note	2012	2011
		-----Rupees in '000-----	
10.15	Particulars of financing to directors, executives or officers of the Bank		
	Financing due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons		
	Balance at beginning of year	511,687	400,381
	Financing granted during the year	269,604	202,089
	Repayments	(119,478)	(90,783)
	Balance at end of year	<u>661,813</u>	<u>511,687</u>
11	OPERATING FIXED ASSETS		
	Capital work-in-progress	11.1 23,252	5,360
	Property and equipment	11.2 1,842,550	1,732,638
	Intangible assets	11.3 47,304	73,630
		<u>1,913,106</u>	<u>1,811,628</u>
11.1	Capital work-in-progress		
	Equipment	78	1,580
	Advances to suppliers and contractors	23,174	3,780
		<u>23,252</u>	<u>5,360</u>

11.2 Property and equipment

	2012							Net book value as at December 31, 2012	Rate of Depreciation %
	COST			DEPRECIATION					
	As at January 01, 2012	Additions/ (disposals) / adjustments	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012			
	-----Rupees in '000-----								
Freehold Land	275,128	-	275,128	-	-	-	275,128	-	
		-			-				
		-			-				
Building on lease hold land	913,031	-	907,156	184,074	45,776	228,759	678,397	5	
		-			-				
		(5,875)			(1,091)				
Furniture and fixture	777,709	199,171	970,094	269,242	83,294	349,070	621,024	10	
		(55)			(20)				
		(6,731)			(3,446)				
Electrical, office and computer equipment	889,294	196,495	1,084,174	672,839	157,577	818,000	266,174	25	
		(5,925)			(5,060)				
		4,310			(7,356)				
Vehicles	10,367	830	4,657	6,736	1,501	2,830	1,827	20	
		(6,540)			(5,407)				
		-			-				
	2,865,529	396,496	3,241,209	1,132,891	288,148	1,398,659	1,842,550		
		(12,520)			(10,487)				
		(8,296)			(11,893)				

	2011							Net book value as at December 31, 2011	Rate of Depreciation %
	COST			DEPRECIATION					
	As at January 01, 2011	Additions/ (disposals) / adjustments	As at December 31, 2010	As at January 01, 2011	Charge for the year / (disposals) / adjustments	As at December 31, 2011			
	-----Rupees in '000-----								
Freehold Land	275,128	-	275,128	-	-	-	275,128	-	
		-			-				
		-			-				
Building on lease hold land	913,031	-	913,031	138,422	45,652	184,074	728,957	5	
		-			-				
		-			-				
Furniture and fixture	770,158	14,131	777,709	192,823	76,475	269,242	508,467	10	
		(257)			(56)				
		(6,323)			-				
Electrical, office and computer equipment	816,474	68,950	889,294	488,643	185,586	672,839	216,455	25	
		(1,825)			(1,390)				
		5,695			-				
Vehicles	50,818	69	10,367	25,472	3,032	6,736	3,631	20	
		(40,520)			(21,768)				
		-			-				
	2,825,609	83,150	2,865,529	845,360	310,745	1,132,891	1,732,638		
		(42,602)			(23,214)				
		(628)			-				

11.2.1 Details of property and equipment disposed-off

The details of property and equipment disposed-off during the year are disclosed in 'Annexure I'

11.3 Intangible assets

	2012							
	COST			AMORTISATION			Net book value as at December 31, 2012	Rate of amortization %
	As at January 01, 2012	Additions / (disposals) / adjustments	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012		
	----- Rupees in '000 -----							
Computer software	170,421	12,539	168,022	96,791	24,048	120,718	47,304	20
		(14,938)			(121)			

	2011							
	COST			AMORTISATION			Net book value as at December 31, 2011	Rate of amortization %
	As at January 01, 2011	Additions / (disposals) / adjustments	As at December 31, 2011	As at January 01, 2011	Charge for the year / (disposals) / adjustments	As at December 31, 2011		
	----- Rupees in '000 -----							
Computer software	148,377	22,044	170,421	67,086	29,705	96,791	73,630	20
		-			-			

11.4 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2012, amounted to Rs. 575.775 million (2011: Rs 244.062 million). The cost of fully amortised intangible assets that are still in the Bank's use, as at December 31, 2012 amounted to Rs.25.347 million (2011: 16.164 million).

	Note	2012	2011
		---- Rupees in '000 ----	
12 DEFERRED TAX ASSETS			
Deferred tax debits arising in respect of:			
Accumulated tax losses	12.1	159,860	401,999
Tax credit against minimum tax paid		146,592	118,562
Provision against non-performing financing and related assets		66	1,753
Ijarah financing and related assets		-	3,433
		306,518	525,747
Deferred tax credits arising due to:			
Ijarah financing and related assets		(27,797)	-
Accelerated tax depreciation		(182,429)	(246,575)
Surplus on revaluation of investment		(9,319)	(91,042)
		(219,545)	(337,617)
		86,973	188,130

12.1 The Bank has an aggregate amount of Rs. 456.74 million (2011: Rs. 1,148.569 million) in respect of tax losses as at December 31, 2012. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 159.860 million (2011: Rs. 401.999 million) on the entire available losses. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	Note	2012	2011	2010
		Rupees in '000		
			Restated	Restated
13 OTHER ASSETS				
Profit / return accrued in local currency		1,045,009	962,319	643,769
Profit / return accrued in foreign currency		31	-	-
Advances, deposits, advance rent and other prepayments		148,412	104,062	85,851
Advance taxation (payments less provision)		15,918	8,686	9,526
Non-banking assets acquired in satisfaction of claims	13.1	308,410	308,410	308,410
Branch adjustment account		-	-	39,227
Unrealised gain on forward foreign exchange promises		2,888	1,092	7,164
Deferred costs	13.2	-	-	4,086
Banca takaful Income receivable		600	-	-
Insurance claim receivable		15,881	17,399	12,639
Car Ijarah repossession		1,385	2,234	1,473
Receivable against First WAPDA Sukuk	9.3.10	50,000	-	-
Other receivables		30,188	50,184	50,479
		<u>1,618,722</u>	<u>1,454,386</u>	<u>1,162,624</u>
Less: Provision held against other assets	13.3	<u>(30,984)</u>	<u>(35,738)</u>	<u>(11,528)</u>
Other assets (net of provisions)		<u>1,587,738</u>	<u>1,418,648</u>	<u>1,151,096</u>

13.1 The market value of Non-Banking assets acquired in satisfaction of claims is Rs 344.934 million (2011: Rs 317.812 million).

	2012	2011	2010
	Rupees in '000		
		Restated	Restated
13.2 Deferred costs			
Opening balance	-	4,086	20,169
Less: Amortised during the year	-	(4,086)	(16,083)
Closing balance	-	-	4,086

13.3 Provision held against other assets

Opening balance	35,738	11,528	-
Charge for the year	-	24,210	11,528
Reversals	(4,754)	-	-
Closing balance	<u>30,984</u>	<u>35,738</u>	<u>11,528</u>

	Note	2012	2011
		Rupees in '000	

14 BILLS PAYABLE

In Pakistan		1,251,010	798,853
Outside Pakistan		-	-
		<u>1,251,010</u>	<u>798,853</u>

15 DUE TO FINANCIAL INSTITUTIONS

In Pakistan		1,621,415	800,000
Outside Pakistan		-	-
		<u>1,621,415</u>	<u>800,000</u>

15.1 Details of due to financial institutions secured / unsecured

Secured

Borrowings from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1	621,415	800,000
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Unsecured

Call borrowings	15.1.2	<u>1,000,000</u>	-
		<u>1,621,415</u>	<u>800,000</u>

15.1.1 Represents Musharaka contributions by the State Bank of Pakistan against Islamic Export Refinance Scheme. These carry expected profit rate ranging from 8.5% per annum (2011: 10% per annum) and are secured against collateral.

15.1.2 Represents Wakala acceptance by the Bank Alfalah Limited (Islamic Banking Branches). This carries profit rate of 8.95% per annum (2011: Nil).

	Note	2012	2011
		----- Rupees in '000 -----	
15.2 Particulars of due to financial institutions with respect to currencies			
In local currency		1,621,415	800,000
In foreign currencies		-	-
		<u>1,621,415</u>	<u>800,000</u>
16 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		30,186,658	24,541,027
Savings deposits		21,090,556	14,257,250
Current accounts - non-remunerative		11,293,914	10,101,628
Margin accounts – non-remunerative		146,307	97,270
		<u>62,717,435</u>	<u>48,997,175</u>
Financial Institutions			
Remunerative deposits		1,494,163	1,524,716
Non-remunerative deposits		4,887	46,894
		<u>64,216,485</u>	<u>50,568,785</u>
16.1 Particulars of deposits			
In local currency		62,976,674	49,924,398
In foreign currencies		1,239,811	644,387
		<u>64,216,485</u>	<u>50,568,785</u>
17 OTHER LIABILITIES			
Profit / return payable in local currency		573,608	518,038
Profit / return payable in foreign currencies		409	29
Unearned fees and commission		2,325	1,180
Accrued expenses		142,365	117,657
Deferred Murabaha Income - Financing and IERS	10.8.1	116,877	125,122
Deferred Murabaha Income - Commodity Murabaha	8.3	33,145	7,399
Payable to defined benefit plan	32	2,254	241
Payable to defined contribution plan		723	879
Unearned rent		1,032	1,209
Security deposits against ijarah		484,677	434,375
Branch adjustment account		3,151	1,517
Sundry creditors		107,378	34,432
Charity payable	17.1	10,197	5,747
Retention money		22,278	7,233
Withholding tax payable		1,228	2,666
WWF payable		26,396	13,867
Others		46,623	69,447
		<u>1,574,666</u>	<u>1,341,038</u>
17.1 Opening balance		5,747	9,441
Additions during the year		12,635	4,806
Payments during the year	17.1.1	(8,185)	(8,500)
Closing balance		<u>10,197</u>	<u>5,747</u>
17.1.1 Charity in excess of Rs 100,000 was paid to the following:			
Alamgir Welfare Trust International		1,000	1,000
The Citizen Foundation		1,000	2,000
The Indus Hospital		1,000	2,000
The Memon Medical		-	1,000
Akhuwat Charity		1,000	1,000
Jamiat Taleem Ul Quran		1,000	1,000
Mrs Saba Zulfiqar		-	500
Shoukat Khanum Memorial		1,000	-
Kharadar General Hospital		1,000	-
Bait Ul Sukoon		1,000	-
Dining Chairs to Juvenile Prisoners		185	-
		<u>8,185</u>	<u>8,500</u>
17.1.2 Charity was not paid to any staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year.			

18 SHARE CAPITAL

18.1 Authorised capital

2012	2011		2012	2011
----- Number of Shares -----			----- Rupees in '000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

18.2 Issued, subscribed and paid up capital

2012	2011		2012	2011
----- Number of Shares -----			----- Rupees in '000 -----	
<u>527,967,898</u>	<u>527,967,898</u>	Ordinary shares of Rs. 10 each	<u>5,279,679</u>	<u>5,279,679</u>
<u>527,967,898</u>	<u>527,967,898</u>	Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>

18.3 The State Bank of Pakistan through its BSD Circular No. 7 dated April 2009 had revised the Minimum Capital Requirement (MCR) for banks. As per the circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs. 9 billion by December 31, 2012 and is required to raise it to Rs. 10 billion by December 31, 2013. The paid-up capital (free of losses) of the Bank amounted to Rs. 5.280 billion at December 31, 2012. As more fully explained in note 1.2 to these financial statements the SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. The SBP vide its letter No. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting paid up capital (free of losses) of Rs 6 billion by March 31, 2013. Moreover, the Bank has been advised by SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

	Note	2012	2011
		----- Rupees in '000 -----	
19 RESERVES			
Statutory Reserves	19.1	<u>173,392</u>	<u>91,221</u>

19.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

20 SURPLUS ON REVALUATION OF ASSETS

20.1 Surplus on revaluation of available for sale securities

	2012	2011
	----- Rupees in '000 -----	
Federal Government Securities		
- Ijara Sukuk Bonds	23,955	256,135
Sukuk certificates		
- Sukuks unlisted	2,670	3,978
Fully paid up ordinary shares / Units		
- Units of Open end Mutual Funds	730	4
- Units of Closed end Mutual Funds	5	3
	<u>27,360</u>	<u>260,120</u>
Related deferred tax liability	<u>(9,319)</u>	<u>(91,042)</u>
	<u>18,041</u>	<u>169,078</u>

20.2 Surplus on revaluation of available for sale securities - net of tax

Opening balance	169,078	32,382
Reversals during the year	156,024	-
Closing balance	<u>18,041</u>	<u>169,078</u>
Net Surplus / (Deficit) arising during the year	<u>4,987</u>	<u>136,696</u>

21 CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	127,797	141,040
- Others	<u>1,511,868</u>	<u>1,180,105</u>
	<u>1,639,665</u>	<u>1,321,145</u>

	2012	2011
	----- Rupees in '000 -----	
21.2 Trade-related contingent liabilities		
Import letter of Credit	4,114,677	1,725,823
Acceptances	562,913	235,229
	<u>4,677,590</u>	<u>1,961,052</u>
21.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	<u>846,391</u>	<u>842,707</u>
21.3.1 These mainly represents counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
21.4 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431,000 was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.		
<p>The Bank has duly filed appeals for stay of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay applications were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the bank till the decision of the main case by the ATIR.</p>		
	2012	2011
	----- Rupees in '000 -----	
21.5 Commitments in respect of promises		
Purchases	<u>459,197</u>	<u>93,574</u>
Sales	<u>209,861</u>	<u>127,607</u>
21.6 Commitments for the acquisition of operating fixed assets	<u>128,883</u>	<u>4,779</u>
21.7 Commitments in respect of financing facilities		
<p>The Bank makes commitments to extend financing 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.</p>		
	2012	2011
	----- Rupees in '000 -----	
21.8 Other commitments		
Bills for collection	<u>276,575</u>	<u>244,596</u>
22 PROFIT / RETURN EARNED		
On financing to:		
- Customers	2,637,950	2,546,663
- Financial institutions	626,681	738,027
	<u>3,264,631</u>	<u>3,284,690</u>
On investments in available for sale securities	2,664,889	2,190,136
On deposits / placements with financial institutions	21,307	9,024
Others	24,479	18,304
	<u>5,975,306</u>	<u>5,502,154</u>
23 PROFIT / RETURN EXPENSED		
Deposits	3,395,483	2,811,667
Other short term fund generation	64,495	55,851
Others	46,987	15,837
	<u>3,506,965</u>	<u>2,883,355</u>

	Note	2012	2011
		----- Rupees in '000 -----	
24 OTHER INCOME			
Rent on property		6,546	8,268
Gain on termination of Ijarah financing		19,270	10,485
Gain on sale of property and equipment	11.2.1	4,654	12,787
Amount recovered from staff		1,374	3,097
Reversal of SBP penalty		-	4,699
		<u>31,844</u>	<u>39,336</u>
25 GAIN / LOSS ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates		205,700	-
Unlisted Securities:			
Mutual funds		13,934	-
Listed Securities:			
Shares		258	-
		<u>219,892</u>	<u>-</u>
26 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	26.3	913,994	787,128
Charge for defined benefit plan	32	24,621	25,944
Contribution to defined contribution plan	33	28,913	26,566
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car ijarah		35,106	31,334
Rent, taxes, insurance, electricity, etc.		423,536	312,956
Legal and professional charges		9,751	10,325
Communications		83,249	83,352
Repairs and maintenance		84,501	150,421
Stationery and printing		24,072	25,476
Advertisement and publicity		60,272	67,203
Auditors' remuneration	26.1	4,233	3,737
Depreciation	11.2	276,255	310,745
Amortisation	26.2	23,927	33,791
CDC and share registrar services		4,076	3,828
Entertainment expense		21,229	19,188
Security service charges		77,884	66,574
Brokerage and commission		6,133	5,577
Travelling and conveyance		18,773	15,703
Remuneration to Shariah Board		250	250
Fees and subscription		78,103	80,322
Vehicle running and maintenance		33,005	25,409
Others		38,209	51,749
		<u>2,271,642</u>	<u>2,139,128</u>
26.1 Auditors' remuneration			
Audit fee		1,900	1,750
Fee for the review of half yearly financial statements		600	600
Special certifications and sundry advisory services		900	900
Tax services		-	-
Out-of-pocket expenses		833	487
		<u>4,233</u>	<u>3,737</u>
26.2 Amortisation			
Intangible assets	11.3	23,927	29,705
Deferred cost	13.2	-	4,086
		<u>23,927</u>	<u>33,791</u>
26.3			
During the year, the Bank has paid Long Service Award (LSA) to eligible employees. Only those employees were eligible for LSA who fulfilled time based condition. The amount under LSA relating to Key Management Personnel of the Bank amounted to Rs. 10.110 million (2011: Rs. 19.292 million).			

	2012	2011
	----- Rupees in '000 -----	
27 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	342	412
Worker's Welfare Fund	12,529	12,648
	<u>12,871</u>	<u>13,060</u>
28 TAXATION		
For the year		
- Current	32,710	57,242
- Prior	-	1,340
- Deferred	182,879	140,449
	<u>215,589</u>	<u>199,031</u>

The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements due to available tax losses brought forward from prior years. The provision for current year income tax has been made under section 113 of the Income Tax Ordinance 2001 (minimum tax on turnover).

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 on due dates. The said returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

	Note	2012	2011
		----- Rupees in '000 -----	
29 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the year		<u>410,853</u>	<u>409,556</u>
		----- Number of shares -----	
Weighted average number of ordinary shares in issue		<u>527,967,898</u>	<u>527,967,898</u>
		----- Rupees -----	
Earning per share - basic / diluted	29.1	<u>0.7782</u>	<u>0.7757</u>

29.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2012 and December 31, 2011

	Note	2012	2011
		----- Rupees in '000 -----	
30 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	4,938,707	4,684,826
Balances with other banks	7	806,110	549,277
		<u>5,744,817</u>	<u>5,234,103</u>

	2012	2011
	----- Number of employees-----	
31 STAFF STRENGTH		
Permanent	1,122	1,112
Contractual basis	288	336
Bank's own staff strength at the end of the year	<u>1,410</u>	<u>1,448</u>
Outsourced	238	218
Total staff strength	<u>1,648</u>	<u>1,666</u>

32 DEFINED BENEFIT PLAN

32.1 General description

The Bank has a gratuity fund for its employees (members of the fund).The fund entitles the members to lumpsum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits starting from three years of service.

The number of employees covered under the following defined fund scheme are 1,122 (2011: 1,112). The present value of obligation under the scheme at the Statement of Financial Position date were as follows:

	Note	2012	2011
		(Rupees in '000)	
32.2 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligations	32.6	87,240	63,884
Fair value of plan assets	32.4	(107,104)	(82,426)
Net actuarial gains not recognised	32.8	22,118	18,783
Liability recognised in the statement of financial position		<u>2,254</u>	<u>241</u>
32.3 Amount charged to the profit and loss account			
Current service cost		22,461	19,117
Finance cost		7,684	7,012
Expected return on plan assets		(4,566)	-
Actuarial losses recognised		(958)	(185)
		<u>24,621</u>	<u>25,944</u>
32.4 Movement in fair value of plan assets			
Opening balance		82,426	-
Contributions		22,608	83,726
Expected return on plan assets		4,566	-
Benefits paid		(4,826)	(1,300)
Actuarial gain / (loss) on assets		2,330	-
Closing balance		<u>107,104</u>	<u>82,426</u>
32.5 Movement in the liability recognised in the Statement of financial position			
Opening balance		241	58,023
Expense for the year		24,621	25,944
Benefits paid		-	-
Contributions during the year		(22,608)	(83,726)
Closing balance		<u>2,254</u>	<u>241</u>
32.6 Movement in present value of defined benefit obligation			
Opening balance		63,884	50,735
Current service cost		22,461	19,117
Finance cost		7,684	7,012
Benefits paid		(4,826)	(1,300)
Actuarial gain		(1,963)	(11,680)
Closing balance		<u>87,240</u>	<u>63,884</u>
32.7 Actuarial loss to be recognised			
Corridor limit			
The limits of the corridor at the beginning of the year			
10% of obligations		6,388	5,074
10% of plan assets		8,243	-
Which works out to		<u>8,243</u>	<u>5,074</u>
Unrecognised actuarial gains at the beginning of the year		18,783	7,288
Limit of corridor as at 1 January 2012		8,243	5,074
Excess		<u>10,540</u>	<u>2,214</u>
Average expected remaining working lives in years		11	12
Actuarial loss to be recognised		<u>958</u>	<u>185</u>
32.8 Unrecognised actuarial gains			
Unrecognised actuarial gains / (losses) at the beginning of the year		18,783	7,288
Actuarial gains on obligation		1,963	11,680
Actuarial gains on Plan assets		2,330	-
Subtotal		<u>23,076</u>	<u>18,968</u>
Actuarial gain recognised		(958)	(185)
Unrecognised actuarial gains at the end of the year		<u>22,118</u>	<u>18,783</u>

Principal actuarial assumptions used are as follows:

	2012	2011
	(Rupees in '000)	
Expected rate of increase in salary level	11%	12%
Valuation discount rate	11.5%	12.5%
Expected return on plan assets	8%	5%

32.9 Historical information

	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
As at December 31					
Present value of defined benefit obligation	87,240	63,884	50,735	34,755	19,092
Fair value of plan assets	-	-	-	-	-
Deficit	<u>87,240</u>	<u>63,884</u>	<u>50,735</u>	<u>34,755</u>	<u>19,092</u>
Experience adjustments on plan liabilities	<u>(1,962)</u>	<u>(11,680)</u>	<u>(4,632)</u>	<u>(2,928)</u>	<u>(357)</u>

33 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of basic salary to the funded scheme every month. Equal monthly contributions by employer and employees during the year amounted to Rs.28.913 million (2011: Rs. 26.566 million) each.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- Rupees in '000 -----					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration*	11,835	14,183	-	-	102,144	94,279
Bonus	1,309	-	-	-	13,860	-
Charge for defined benefit plan	1,184	1,181	-	-	6,568	8,500
Salary in lieu of provident fund*	1,184	1,418	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	9,369	8,894
Rent and house maintenance*	327	391	-	-	37,173	29,691
Utilities*	1,184	1,418	-	-	10,214	9,428
Medical*	1,184	1,418	-	-	10,214	9,428
Increment allowance	-	-	-	-	-	36,535
Others	-	-	-	-	38,780	1,633
	<u>18,207</u>	<u>20,009</u>	<u>1,550</u>	<u>1,550</u>	<u>228,322</u>	<u>198,388</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>114</u>	<u>106</u>

* Included in this amount are arrears amounting to Rs. Nil (2011: 3.571)

34.1 The Bank's President / Chief Executive is provided with free use of Bank's maintained car in accordance with the Bank's service rules.

In addition to the above all eligible Executives, including the Chief Executive Officer of the Bank are also entitled to certain short term employee benefits which are disclosed in note 26.3 to these financial statements.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with accounting policy as stated in note 5.2.5 to these financial statements.

The fair values of Islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.3 to these financial statements. The repricing, maturity profile and effective rates are stated in note 39 to these financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and in case of financing and deposits these are frequently repriced.

35.1 Off-balance sheet financial instruments

	2012		2011	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
Forward purchase of foreign currencies	458,654	459,197	93,579	93,574
Forward sale of foreign currencies	212,206	209,861	127,887	127,607

36 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
-----Rupees in '000-----					
2012					
Total income	685,785	3,771,073	2,002,290	50,090	6,509,238
Total expenses	53,193	3,327,862	1,609,786	891,955	5,882,796
Net income / (loss)	632,592	443,211	392,504	(841,865)	626,442
Segment Assets (Gross)	41,268,569	4,992,045	26,216,312	2,297,073	74,773,999
Segment non - performing Assets	74,790	405,223	817,610	-	1,297,623
Segment Provision required	19,790	186,718	331,461	-	537,969
Segment Liabilities	1,048,876	42,197,845	25,234,017	182,838	68,663,576
Segment Return on Assets (ROA) (%)	1.53%	8.88%	1.50%	-	-
Segment Cost of funds (%)	10.14%	6.54%	7.69%	-	-

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
-----Rupees in '000-----					
2011					
Total income	571,690	3,355,587	1,757,459	44,127	5,728,863
Total expenses	46,669	2,860,545	1,328,808	884,254	5,120,276
Net income (loss)	525,021	495,042	428,651	(840,127)	608,587
Segment Assets (Gross)	31,232,461	7,122,755	18,773,042	2,139,706	59,267,964
Segment non - performing Assets	74,790	324,240	536,214	12	935,256
Segment Provision required	34,790	183,848	228,000	12	446,650
Segment Liabilities	618,920	34,973,402	17,859,572	56,782	53,508,676
Segment Return on Assets (ROA) (%)	1.68%	6.95%	2.28%	-	-
Segment Cost of funds (%)	12.76%	6.81%	8.33%	-	-

37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

The related parties of the Bank comprise related group companies, principal shareholders, key management personnel, companies where directors of the Bank also hold directorship, directors and their close family members and staff retirement funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposits transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 34 are as follows:

Subsidiary	2012	2011
	----- Rupees '000 -----	
Deposits		
At beginning of the year	99,434	88,555
Deposits during the year	2,836,209	1,433,972
Withdrawals during the year	(2,829,774)	(1,423,093)
At the end of the year	<u>105,869</u>	<u>99,434</u>
Transactions, income and expenses		
Return on deposit expensed	9,491	10,236
Associates		
Financing and related assets		
At beginning of the year	14,982	26,168
Accrued during the year	30,901	31,810
Repayments	(20,512)	(31,004)
At the end of the year	<u>25,371</u>	<u>26,974</u>
Deposits		
At beginning of the year	127,794	131,268
Deposits during the year	618,268	595,662
Withdrawals during the year	(658,771)	(599,136)
At the end of the year	<u>87,291</u>	<u>127,794</u>
Transactions, income and expenses		
Return on deposits expensed	4,437	5,989
Administrative expense	67,848	49,468
Advance against financing	-	4,215
Sale of investment	-	248,148
Key management personnel		
Financing and related assets		
At beginning of the year	76,944	61,167
Disbursements	29,020	21,149
Repaid during the year	(5,718)	(4,232)
At the end of the year	<u>100,246</u>	<u>78,084</u>
Deposits		
At beginning of the year	4,525	16,563
Deposits	71,975	94,531
Withdrawals during the year	(71,442)	(106,529)
At the end of the year	<u>5,058</u>	<u>4,565</u>
Transactions, income and expenses		
Profit earned on financing	3,134	2,769
Return on deposits expensed	295	364
Remuneration	51,120	58,929
Disposal of vehicle	294	2,115
Employee benefit plans		
Contribution to Employees Gratuity Fund	<u>24,621</u>	<u>25,944</u>
Contribution to Employees Provident Fund	<u>28,913</u>	<u>26,566</u>

Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the opening balance of the current year.

38 CAPITAL ASSESSMENT AND ADEQUACY

38.1 Capital management

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For that the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains 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 recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

This process is managed by the Asset Liability Committee (ALCO) of the Bank. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movement, liquidity constraints and capital adequacy and its implication on risk management policies.

38.2 Goals of managing capital

The goals of managing capital of the Bank are as follows: The objectives for a sound capital management are: 1) to ensure that the Bank complies with the regulatory Minimum Capital Requirement (MCR) 2) maintain a strong credit rating 3) maintain healthy capital ratios to support business and to maximize shareholder value and 4) to operate with a Revolving Planning Horizon and be able to take advantage of new investment opportunities when they appear.

38.3 Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 7 dated April 2009 had revised the Minimum Capital Requirement (MCR) for banks. As per the circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs. 9 billion by December 31, 2012 and is required to raise it to Rs. 10 billion by December 31, 2013. The paid-up capital (free of losses) of the Bank amounted to Rs. 5.280 billion at December 31, 2012. As more fully explained in note 1.2 to these financial statements the SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. The SBP vide its letter No. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting paid up capital (free of losses) of Rs 6 billion by March 31, 2013. Moreover, the Bank has been advised by SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

38.4 Capital Structure

The Bank's Regulatory Capital has been analysed into three tiers i.e.:

- Tier 1 capital, which includes fully paid up capital, general reserves as per the financial statements and net unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies being commercial entities and book value of goodwill and intangibles.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies being commercial entities.
- Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The total risk weighted exposures comprise the credit risk, market risk and operational risk.

38.5 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy using Basel II Standardised approach for credit and market risk and basic indicator approach for operational risk is presented below:

	2012	2011		
	----- Rupees in '000 -----			
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital	5,279,679	5,279,679		
Reserves as disclosed on the Statement of Financial Position	173,392	91,221		
Unappropriated profit / (accumulated losses)	101,342	(227,340)		
	5,554,413	5,143,560		
Other deductions:				
Cost of investment in subsidiary - 50%	(95,508)	(95,508)		
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	(37,991)	-		
Book value of goodwill and intangibles	(47,304)	(73,630)		
Total Tier I Capital	<u>5,373,610</u>	<u>4,974,422</u>		
Tier II Capital				
General provisions for loan losses-up to maximum of 1.25% of Risk Weighted Assets	33,565	28,972		
Revaluation Reserves up to 45%	12,312	117,054		
Less: Cost of Investment in Subsidiary - 50%	(95,508)	(95,508)		
Total Tier II Capital	<u>(49,631)</u>	<u>50,518</u>		
Eligible Tier III Capital	-	-		
Total Regulatory Capital Base	(a) <u>5,323,979</u>	<u>5,024,940</u>		
Risk-weighted exposures	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
	----- Rupees in '000 -----			
Credit risk				
Portfolios subject to standardized approach (Simple Approach for CRM)				
Corporate Portfolio	1,644,513	1,144,451	16,445,128	11,444,506
Retail non mortgages	44,158	22,280	441,582	222,795
Mortgages – residential	68,862	64,118	688,615	641,176
Past due Islamic financing and related assets	93,765	56,383	937,651	563,828
Claims on Banks	195,729	162,266	1,957,287	1,622,658
Fixed assets	186,580	173,800	1,865,802	1,737,998
Others	205,491	616,184	2,054,912	6,161,836
	<u>2,439,098</u>	<u>2,239,480</u>	<u>24,390,977</u>	<u>22,394,797</u>
Portfolios subject to off balance sheet exposure –non market/market related	163,382	81,911	1,633,824	819,106
Market risk				
Capital requirement for portfolios subject to standardized approach				
Foreign Exchange risk	16,539	6,143	165,388	61,429
Interest Rate Risk	220,191	216,207	2,201,913	2,162,074
Equity Risk	192,150	6	1,921,500	56
Operational risk				
Capital Requirement for operational risks subject to Basic Indicator Approach	473,980	381,037	4,739,800	3,810,372
Total	(b) <u>3,505,340</u>	<u>2,924,784</u>	<u>35,053,402</u>	<u>29,247,834</u>
Capital adequacy ratio	----- Rupees in '000 -----			
Total eligible regulatory capital held	(a) <u>5,323,979</u>	<u>5,024,940</u>		
Total risk weighted assets	(b) <u>35,053,402</u>	<u>29,247,834</u>		
Capital adequacy ratio	[(a / b) x 100]	<u>15.19%</u>	<u>17.18%</u>	

38.6 In accordance with the Revised Regulatory Capital Framework under Basel II issued by the SBP, Banks are required to deduct from Tier I Capital any shortfall in provisions required against classified assets irrespective of any relaxation allowed by the SBP. However, the Bank has not made deductions on account of shortfall in provision against outstanding facilities extended to Agritech Limited based on the relaxation provided by the SBP vide its letter BPRD/BRD-(Policy) / 2013-1857 dated February 15, 2013.

38.7 As more fully explained in note 10.14.2.3 to these financial statements, the SBP has given a relaxation to the Bank in maintaining provision against outstanding facilities extended to Gulshan Weaving Mills Limited. In accordance with Revised Capital Framework under Basel II issued by the SBP, Banks are required to deduct from Tier-I Capital any shortfall in provision required against classified assets irrespective of any relaxation allowed by the SBP. Accordingly an amount of Rs 37.991 million has been deducted from Bank's Tier-I Capital.

39 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Bank follows effective risk governance which commensurate well with its current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. The Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly.

As a prelude to countering the financial debacle of the recent past, the Basel Committee (Internationally) is raising the resilience of the banking sector by strengthening the regulatory capital framework, essentially building on the three pillars of the Basel II structure. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. The SBP (State Bank of Pakistan) while being cognizant of the various reforms in the offing, is reviewing the impact of Basel III (B3) guidelines on the capital structure and CAR (Capital Adequacy Ratio) through quantitative impact studies.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Bank's Risk Management Framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Bank;
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Bank.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates' for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes:

- Business line acquisition, strong adherence to the credit and other related criteria.
- Middle Office monitoring function for a sound risk assessment of various risks inherent in treasury operations.
- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the bank

The risk appetite of the Bank is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Bank believes in a cautious yet steady approach towards its business objectives and takes a holistic view of its investment and financing requirement.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various portfolios.

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Banks risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the Bank's leadership.

The risk management function at the Bank, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee), RMC (Risk Management Committee of the Board) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate/ manage risk in line with the Bank's objectives.

Business line accountability

One of the most important features of the risk management process is the business line accountability. Business has to understand the risk implication of specific transaction on the business / portfolio. Some specific risks e.g. reputation risk affects the entire banking business and is not limited to one business line or the other. At BIPL, as in any other reputable organization, responsibility comes with accountability. Each business segment is responsible for the profit / loss of the business. The management of risk is as much a line function as it is supports'.

Business lines are equally responsible for the risks they are taking. Because line personnel understand the risks of the business. Lack of an understanding of this by the line management may lead to risk management in isolation.

39.1 Credit Risk

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. Credit Risk has certain sub-categories as follows:

i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Bank has already met its commitments.

iv) Country risk

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk.

39.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets, Deposits, Contingencies and Commitments.

39.1.1.1 Segments by class of business

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments *	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	2,940,918	10.53%	2,582,327	4.02%	-	0.00%
Mining and Quarrying	-	0.00%	965,582	1.50%	-	0.00%
Textile	2,744,131	9.82%	639,328	1.00%	2,458,140	29.59%
Chemical and Pharmaceuticals	1,121,528	4.01%	2,019,965	3.15%	248,467	2.99%
Cement	947,820	3.39%	364,536	0.57%	46,585	0.56%
Sugar	3,704,999	13.26%	1,726,188	2.69%	1,225	0.01%
Footwear and Leather garments	57,763	0.21%	52,340	0.08%	6,435	0.08%
Automobile and transportation equipment	309,747	1.11%	245,026	0.38%	1,575,781	18.97%
Education	3,135	0.01%	217,067	0.34%	-	0.00%
Electronics and electrical appliances	144,799	0.52%	111,805	0.17%	1,118,743	13.47%
Production and transmission of energy	900,000	3.22%	432,950	0.67%	-	0.00%
Construction	1,131,950	4.05%	551,674	0.86%	421,718	5.08%
Power (electricity), Gas, Water, Sanitary	2,977,218	10.66%	27,950	0.04%	543,223	6.54%
Wholesale and Retail Trade	685,198	2.45%	16,832,888	26.21%	162,596	1.96%
Exports/Imports	7,046	0.03%	97,632	0.15%	226,168	2.72%
Transport, Storage and Communication	30,395	0.11%	355,230	0.55%	-	0.00%
Financial	2,161,969	7.74%	1,499,050	2.33%	325,712	3.92%
Insurance	25,059	0.09%	48,695	0.08%	-	0.00%
Services	451,037	1.61%	1,810,889	2.82%	152,318	1.83%
Individuals	3,365,302	12.05%	25,358,043	39.49%	49,556	0.60%
Food and beverages	2,151,123	7.70%	1,442,129	2.25%	79,344	0.96%
Private Trust & NGO	4,639	0.02%	1,296,276	2.02%	69,403	0.84%
Packing and Paper products	440,088	1.58%	10,522	0.02%	18,795	0.23%
Others*	1,627,965	5.83%	5,528,393	8.61%	803,384	9.67%
	27,933,829	100.00%	64,216,485	100.00%	8,307,593	100.00%

* Others include Sole Proprietors, fund accounts and Govt deposits etc.

	2011					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
	Restated					
Agriculture, Forestry, Hunting and Fishing	2,894,273	11.55%	2,378,083	4.70%	39,283	0.85%
Mining and Quarrying	-	0.00%	677,889	1.34%	-	0.00%
Textile	3,340,588	13.33%	561,080	1.11%	1,572,926	34.23%
Chemical and Pharmaceuticals	375,086	1.50%	571,377	1.13%	90,928	1.98%
Cement	1,095,733	4.37%	271,959	0.54%	15,035	0.33%
Sugar	2,783,542	11.11%	1,605,441	3.17%	16	0.00%
Footwear and Leather garments	55,148	0.22%	67,304	0.13%	27,795	0.60%
Automobile and transportation equipment	130,682	0.52%	242,384	0.48%	274,646	5.98%
Education	5,135	0.02%	234,430	0.46%	-	0.00%
Electronics and electrical appliances	373,436	1.49%	203,315	0.40%	341,872	7.44%
Production and transmission of energy	900,000	3.59%	15,625	0.03%	-	0.00%
Construction	1,732,489	6.91%	1,348,100	2.67%	136,318	2.97%
Power (electricity), Gas, Water, Sanitary	2,966,520	11.84%	12,363	0.02%	500,508	10.89%
Wholesale and Retail Trade	547,505	2.19%	13,998,455	27.68%	150,000	3.26%
Exports/Imports	-	0.00%	81,118	0.16%	86,837	1.89%
Transport, Storage and Communication	293,304	1.17%	404,083	0.80%	-	0.00%
Financial	1,859,916	7.42%	1,571,610	3.11%	139,274	3.03%
Insurance	11,933	0.05%	69,789	0.14%	-	0.00%
Services	203,292	0.81%	1,446,768	2.86%	25,323	0.55%
Individuals	3,082,518	12.30%	20,306,491	40.16%	35,716	0.78%
Food and Beverages	1,176,177	4.69%	727,220	1.44%	-	0.00%
Private Trust & NGO	6,549	0.03%	969,211	1.92%	-	0.00%
Packing and Paper products	706,716	2.82%	212,706	0.42%	-	0.00%
Others*	514,412	2.05%	2,591,984	5.13%	1,158,993	25.22%
	25,054,954	100.00%	50,568,785	100.00%	4,595,460	100.00%

* Others include Sole Proprietors, fund accounts and Govt deposits etc.

39.1.1.2 Segment by sector

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,508,213	9%	3,087,965	5%	1,455,572	18%
Private	25,425,616	91%	61,128,520	95%	6,852,021	82%
	27,933,829	100%	64,216,485	100%	8,307,593	100%

	2011					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
	Restated					
Public / Government	1,990,619	8%	1,218,171	2%	689,950	15%
Private	23,064,335	92%	49,350,614	98%	3,905,510	85%
	25,054,954	100%	50,568,785	100%	4,595,460	100%

39.1.1.3 Details of non-performing Islamic financing and related assets and specific provisions by class of business segment:

	2012		2011	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
Restated				
----- Rupees In '000 -----				
Wholesale and Retail trade	22,598	10,217	22,598	2,299
Agriculture, Forestry, Hunting and Fishing	175,000	43,750	-	-
Textile	261,767	148,848	161,791	123,753
Chemical and Pharmaceuticals	13,773	200	295	-
Power (electricity), Gas, Water, Sanitary	703	73	5,274	70
Cement	23,250	17,586	23,750	11,006
Automobile & Transportation equipment	-	-	5,333	-
Construction	125,980	63,980	70,997	57,105
Services	1,139	800	2,703	586
Financial	1,757	581	-	-
Paper Product*	98,554	10,796	137,096	9,068
Transport, Storage and Communication	2,391	1,838	14,313	2,363
Individuals	459,971	160,326	374,950	150,750
Others	18,339	8,007	19,001	3,523
	<u>1,205,222</u>	<u>467,002</u>	<u>838,101</u>	<u>360,523</u>

* Provision has been made under subjective evaluation

39.1.1.4 Details of non-performing Islamic financing related assets and specific provisions by sector:

	2012		2011	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
Restated				
----- Rupees In '000 -----				
Public / Government	-	-	-	-
Private	1,205,222	467,002	838,101	360,523
	<u>1,205,222</u>	<u>467,002</u>	<u>838,101</u>	<u>360,523</u>

39.1.1.5 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
----- Rupees In '000 -----				
Pakistan	626,442	74,236,030	5,572,454	8,307,593
	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
----- Rupees In '000 -----				
Pakistan	608,587	58,821,314	5,312,638	4,595,460

39.1.2 Credit risk - Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The Bank has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Bank carries a strong desire to move towards the FIRB and Advanced approach.

39.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The Bank has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support the Bank in internally rating the credit clients.

Types of Exposures and ECAI's used

Exposures	2012			2011		
	JCR - VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	Rating Category	2012			2011		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
----- Rupees in '000 -----							
Corporate	0%	-	-	-	-	-	-
	20%	3,820,473	-	3,820,473	3,423,412	-	3,423,412
	50%	3,398,737	28,299	3,370,438	1,239,277	154,832	1,084,445
	100%	-	-	-	211,259	-	211,259
	150%	2,488	61	2,427	320,500	-	320,500
Unrated	14,123,206	131,033	13,992,173	9,637,174	111,582	9,525,592	
		21,344,904	159,393	21,185,511	14,831,622	266,414	14,565,208
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	895,123	306,347	588,776	609,867	312,807	297,060
		895,123	306,347	588,776	609,867	312,807	297,060
Total		22,240,027	465,740	21,774,287	15,441,489	579,221	14,862,268

CRM = Credit Risk Mitigation

39.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches- Basel II Specific.

The Bank obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit risk mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits and cash margins.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by the SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market conditions.

The Bank takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 21,344.904 million (2011: Rs. 14,831.622 million) is subject to the CRM of Rs. 159.393 million (2011: Rs. 266.414 million) whereas a claim on retail portfolio of Rs. 895.123 million (2011: Rs. 609.867 million) is subject to CRM of Rs 306.347 million (2011: Rs. 312.807 million). The total benefit of Rs.465.74 million (2011: Rs. 579.221 million) was availed through CRM against total on-balance sheet exposure of Rs.22,240.027 million (2011: Rs. 15,441.489 million).

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 3,847.136 million (2011: Rs. 301.039 million) is subject to the CRM of Rs.140.84 million (2011: Rs. 7.023 million). Hence total benefit of Rs 140.84 million (2011: Rs. 7.023 million) was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs.3,847.136 million (2011: Rs. 301.039 million).

During the year, total amount of cash collateral used for CRM purposes was Rs.606.580 million as against amount of Rs 586.244 million in year 2011. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

39.2 Equity Position Risk in the Banking book –Basel II Specific

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

39.3 Yield / Profit Rate Risk in the banking book – Basel II specific

It includes all material yield risk positions of the Bank taking into account all repricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be repriced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the bank by applying upward and downward shocks.

39.4 Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Bank uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis. These assessment methods enable the Bank to estimate changes in the value of the portfolio, if exposed to various risk factors.

Moreover, since the Bank does not deal in interest based products, the impact of the above risks will be very minimal. The Bank does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

39.4.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Bank purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Bank to foreign exchange risk. To control this risk, the Bank primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Bank. The Bank also strictly adheres to all associated regulatory limits.

Following is the summary of the assets of the Bank subject to foreign exchange risk.

	2012			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan rupee	73,111,517	67,423,487	(249,336)	5,438,694
United States dollar	901,086	1,063,616	249,336	86,806
Great Britain pound	118,875	116,351	-	2,524
Deutsche mark	-	-	-	-
Japanese yen	3,480	-	-	3,480
Euro	71,211	60,122	-	11,089
USE Dirham	244	-	-	244
ACU	23,998	-	-	23,998
CHF	833	-	-	833
AUD	1,171	-	-	1,171
Saudi Riyal	3,615	-	-	3,615
	74,236,030	68,663,576	-	5,572,454
----- Rupees in '000 -----				
	2011			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan rupee	58,081,474	52,864,260	34,034	5,251,248
United States dollar	562,738	502,211	(16,605)	43,922
Great Britain pound	84,128	83,576	-	552
Deutsche mark	-	-	-	-
Japanese yen	1,521	-	-	1,521
Euro	77,556	58,629	(17,429)	1,498
UAE Dirham	426	-	-	426
ACU	7,777	-	-	7,777
CHF	840	-	-	840
AUD	1,985	-	-	1,985
Saudi Riyal	2,869	-	-	2,869
	58,821,314	53,508,676	-	5,312,638

39.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

2012												
Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk									Non-profit bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	4,938,707	-	-	-	-	-	-	-	-	-	-	4,938,707
Balances with other Banks	806,110	121	-	-	-	-	-	-	-	-	-	805,989
Due from financial institutions	8,475,672	8,475,672	-	-	-	-	-	-	-	-	-	-
Investments	28,994,462	563,565	8,025,108	18,974,078	-	-	-	-	-	-	-	1,431,711
Islamic financing and related assets	27,433,262	4,769,039	6,668,428	1,864,693	2,104,229	908,600	1,701,255	3,586,600	163,585	1,148,542	-	4,518,291
Other assets	1,145,983	-	-	-	-	-	-	-	-	-	-	1,145,983
	71,794,196	13,808,397	14,693,536	20,838,771	2,104,229	908,600	1,701,255	3,586,600	163,585	1,148,542	-	12,840,681
Liabilities												
Bills payable	1,251,010	-	-	-	-	-	-	-	-	-	-	1,251,010
Due to financial institutions	1,621,415	-	1,621,415	-	-	-	-	-	-	-	-	-
Deposits and other accounts	64,216,485	5,108,249	3,037,932	2,939,888	7,767,587	11,963,285	12,425,367	6,175,179	3,353,889	-	-	11,445,109
Other liabilities	1,377,389	-	-	-	-	-	-	-	-	-	-	1,377,389
	68,466,299	5,108,249	4,659,347	2,939,888	7,767,587	11,963,285	12,425,367	6,175,179	3,353,889	-	-	14,073,508
On-balance sheet gap	3,327,897	8,700,148	10,034,189	17,898,883	(5,663,358)	(11,054,685)	(10,724,112)	(2,588,579)	(3,190,304)	1,148,542	(1,232,827)	
NON FINANCIAL ASSETS												
Operating fixed assets	1,913,106											
Deferred tax assets	86,973											
Other assets	441,755											
	2,441,834											
NON FINANCIAL LIABILITIES												
Other liabilities	197,277											
TOTAL NET ASSETS	5,572,454											
Total Yield / Profit Risk Sensitivity Gap		8,700,148	10,034,189	17,898,883	(5,663,358)	(11,054,685)	(10,724,112)	(2,588,579)	(3,190,304)	1,148,542	(1,232,827)	
Cumulative Yield/Profit Risk Sensitivity Gap		8,700,148	18,734,337	36,633,220	30,969,862	19,915,177	9,191,065	6,602,486	3,412,182	4,560,724	(1,232,827)	

2011 (Restated)												
Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk									Non-profit bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	4,684,826	-	-	-	-	-	-	-	-	-	-	4,684,826
Balances with other Banks	549,277	113	-	-	-	-	-	-	-	-	-	549,164
Due from financial institutions	4,436,264	4,436,264	-	-	-	-	-	-	-	-	-	-
Investments	21,067,082	965,292	6,461,473	13,449,275	-	-	-	-	-	-	-	191,042
Islamic financing and related assets	24,665,459	8,071,685	5,350,476	3,545,632	50,288	113,266	132,098	392,290	304,776	1,379,586	-	5,325,362
Other assets	1,013,857	-	-	-	-	-	-	-	-	-	-	1,013,857
	56,416,765	13,473,354	11,811,949	16,994,907	50,288	113,266	132,098	392,290	304,776	1,379,586	-	11,764,251
Liabilities												
Bills payable	798,853	-	-	-	-	-	-	-	-	-	-	798,853
Due to financial institutions	800,000	-	350,000	450,000	-	-	-	-	-	-	-	-
Deposits and other accounts	50,568,785	3,939,202	2,415,427	2,606,264	4,866,637	8,705,229	8,813,778	4,769,060	4,207,396	-	-	10,245,792
Other liabilities	1,181,093	-	-	-	-	-	-	-	-	-	-	1,181,093
	53,348,731	3,939,202	2,765,427	3,056,264	4,866,637	8,705,229	8,813,778	4,769,060	4,207,396	-	-	12,225,738
On-balance sheet gap	3,068,034	9,534,152	9,046,522	13,938,643	(4,816,349)	(8,591,963)	(8,681,680)	(4,376,770)	(3,902,620)	1,379,586	(461,487)	
NON FINANCIAL ASSETS												
Operating fixed assets	1,811,628											
Deferred tax assets	188,130											
Other assets	404,791											
	2,404,549											
NON FINANCIAL LIABILITIES												
Other liabilities	159,945											
TOTAL NET ASSETS	5,312,638											
Total Yield / Profit Risk Sensitivity Gap		9,534,152	9,046,522	13,938,643	(4,816,349)	(8,591,963)	(8,681,680)	(4,376,770)	(3,902,620)	1,379,586	(461,487)	
Cumulative Yield/Profit Risk Sensitivity Gap		9,534,152	18,580,674	32,519,317	27,702,968	19,111,005	10,429,325	6,052,555	2,149,935	3,529,521	(461,487)	

39.5 Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

BIPB's liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. Its role cannot be overemphasized here, it serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

39.5.1 MATURITIES OF ASSETS AND LIABILITIES

	2012																			
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years		
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity		
Rupees in '000																				
Assets																				
Cash and balances with																				
treasury banks	4,938,707	4,938,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with																				
other banks	806,110	806,110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from financial institutions	8,475,672	-	-	4,633,600	-	3,842,072	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	28,994,462	-	-	279,583	-	-	-	-	8,420,992	-	9,369,259	-	8,581,642	-	1,191,216	-	960,755	-	191,015	
Islamic financing and related assets	27,433,262	-	7,616,523	-	8,133,048	-	1,864,703	-	2,122,037	-	908,600	-	1,862,862	-	3,650,661	-	124,486	-	1,150,342	
Operating fixed assets	1,913,106	-	-	-	-	23,252	-	-	-	-	-	-	-	315,306	-	621,024	-	953,524	-	
Deferred tax assets	86,973	-	-	-	-	-	-	-	-	-	-	-	-	86,973	-	-	-	-	-	
Other assets	1,587,738	26,068	261,491	50,000	3,965,523	8,616	319,217	165,092	12,560	-	-	-	-	306,708	41,463	-	-	-	-	
	74,236,030	5,770,885	7,878,014	50,000	13,442,754	31,868	6,025,992	165,092	10,555,589	-	10,277,859	-	10,444,504	708,987	4,883,340	621,024	1,085,241	953,524	1,341,357	
Liabilities																				
Bills payable																				
Due to financial institutions	1,251,010	1,251,010	-	-	1,280,000	-	341,415	-	-	-	-	-	-	-	-	-	-	-	-	
Deposits and other accounts	64,216,485	4,089,147	2,860,227	-	3,037,932	-	2,939,888	-	7,767,587	14,918,090	1,847,186	14,918,092	2,309,268	-	6,175,179	-	3,353,889	-	-	
Other liabilities	1,574,666	181,113	274,491	107,378	102,749	-	176,975	69,269	77,875	26,190	-	18,198	492,837	47,043	-	-	-	-	-	
	68,663,576	5,521,270	3,134,718	107,378	4,420,681	-	3,458,278	69,269	7,845,462	14,918,090	1,873,376	14,918,092	2,327,466	492,837	6,222,222	-	3,354,437	-	-	
Net assets	5,572,454	249,615	4,743,296	(57,378)	9,022,073	31,868	2,567,714	95,823	2,710,127	(14,918,090)	8,404,483	(14,918,092)	8,117,038	216,150	(1,338,882)	621,024	(2,269,196)	953,524	1,341,357	
Share capital	5,279,679																			
Reserves	173,392																			
Accumulated loss	101,342																			
Surplus on revaluation of assets	18,041																			
	5,572,454																			

	2011 (Restated)																			
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years		
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity		
Rupees in '000																				
Assets																				
Cash and balances with																				
treasury banks	4,684,826	4,684,826	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with																				
other banks	549,277	549,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from financial institutions	4,436,264	-	4,436,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	21,067,082	-	40,000	-	2,017,600	-	-	-	846,174	7,618,000	-	9,117,728	-	563,656	-	672,909	-	191,015	-	
Islamic financing and related assets	24,665,459	-	7,261,534	-	6,338,416	-	2,174,913	-	1,419,325	781,982	-	1,139,352	-	3,507,353	-	721,922	-	1,320,662	-	
Operating fixed assets	1,811,628	-	-	5,360	-	-	-	-	-	-	-	-	-	293,716	-	508,467	-	1,004,085	-	
Deferred tax assets	188,130	-	-	-	-	-	-	-	-	-	-	-	-	188,130	-	-	-	-	-	
Other assets	1,418,648	49,425	96,170	46,100	721,342	19,633	137,807	109,620	-	-	-	-	-	4,979	233,572	-	-	-	-	
	58,821,314	5,283,528	11,833,968	46,100	9,077,358	24,993	2,312,720	109,620	2,265,499	7,618,000	781,982	9,117,728	1,139,352	1,050,481	3,507,353	1,414,948	721,922	1,195,100	1,320,662	
Liabilities																				
Bills payable																				
Due to financial institutions	798,853	798,853	-	-	350,000	-	450,000	-	-	-	-	-	-	-	-	-	-	-	-	
Deposits and other accounts	50,568,705	3,187,546	2,371,205	-	2,415,428	-	2,606,265	-	4,866,637	11,369,106	1,649,244	11,369,107	1,757,793	-	4,769,060	-	4,207,394	-	-	
Other liabilities	1,341,038	190,355	525,466	34,432	-	-	125,122	24,989	-	-	-	-	-	440,674	-	-	-	-	-	
	53,508,676	4,176,754	2,896,671	34,432	2,765,428	-	3,181,287	24,989	4,866,637	11,369,106	1,649,244	11,369,107	1,757,793	440,674	4,769,060	-	4,207,394	-	-	
Net assets	5,312,638	1,106,774	8,937,297	11,668	6,311,930	24,993	(868,667)	84,631	(2,601,138)	(3,751,106)	(867,262)	(2,251,379)	(618,441)	609,807	(1,261,707)	1,414,948	(3,485,472)	1,195,100	1,320,662	
Share capital	5,279,679																			
Reserves	91,221																			
Accumulated loss	(227,340)																			
Surplus on revaluation of assets	169,078																			
	5,312,638																			

39.6 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external / internal events. The risk is different from the others, since it has a greater level of uncertainty and may be termed as a little difficult to measure. The Bank believes that (prudence) should be lived and breathed through the organizational culture.

At a more formal level, the Bank has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. ORAF is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Bank's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

39.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market the Bank is aware of the need of reducing risk. The Bank has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

39.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

39.9 Shariah Non-compliance

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Advisor of the Bank. It remains' the most important operational risk for an Islamic bank. Compliance of shariah guidelines must permeate throughout the organization and its adherence should be reflected in the products and activities.

40 TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These are not assets of the bank and, therefore, are not included in statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account	Face Value (Rs in '000)
Insurance Companies	Sukuks	1	220,000
Asset Management Companies	Sukuks	22	1,450,165
Employee Funds / NGO's	Sukuks	8	311,000
Individuals	Sukuks	8	87,370
Others	Sukuks	21	3,641,465
		60	5,710,000

41 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained following pools for profit declaration and distribution during the year ended December 31, 2012:

- i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- ii) Musharaka Pool under SBP's Islamic Export Refinance Scheme; and
- iii) Treasury Special Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool is provided to different sectors of economy mainly' to 'Textile and Allied', ' Energy', 'Fertilizer', 'Trading' ' Consumer Finance' and GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled towards the export sector of the economy via different Islamic financing modes such as Murabaha, Istisn'a etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is catered for all depositors of BIPL and provide profit / loss based on actual returns earned by the Pool. Depositors are Rabb-ul-Maal as they are the provider of capital while Bank acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Bank and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by the Rabb-ul-Maal as per the principles of Mudarabah.

The IERS Pool caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with BankIslami for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabaha, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the BankIslami's IERS Musharakah pool. IERS Pool consists of blue chip companies to whom BankIslami has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio.

Treasury Pools are managed on the basis of Musharakah, wherein BIPL and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. The pool is exposed to following kinds of risks:

- 1 Asset Risk: The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank has prepared detailed product manuals in order to identify and properly mitigate such risk. The Bank also analyze transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professional having considerable experience in the field of Islamic Banking and finance. Nevertheless since Islamic Banking is a nascent industry we believe that the process of further improvement will continue as the business grows.
- 2 Credit Risk: Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 39.1 to these financial statements.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation of income and expenses to different pools shall be made based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by BankIslami as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabaha, Ijarah, Diminishing Musharka, Istisna, Carborra Financing, Salam, etc.) and depreciation of Ijarah assets. The general and specific provisions created against non-performing islamic financing and related assets and diminution in the value of investments as under prudential regulations and other SBP directives have been borne by BankIslami as Mudarib.

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			(Rupees in '000)
PKR Pool	Monthly	12.84%	63.34%	36.66%	1,813,542	8.20%	11.77%	213,510
USD Pool	Monthly	1.35%	50.01%	49.99%	1,368	0.37%	0.00%	-

Specific Pool	Profit rate and weightage announcement period	Profit rate return earned	SBP Share %	Bank share %	Bank share	Profit rate return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			(Rupees in '000)
(i) Islamic Export Refinance (IERS) Pool	Monthly	12.53%	29.76%	70.24%	64,117.9	11.46%	0.00%	-

- (ii) In addition to the above 85 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

42 GENERAL

42.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and profit and loss account.

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

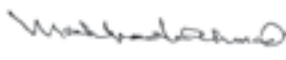
42.2 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current year except for the following:

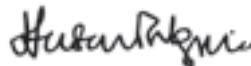
Reclassified from	Reclassified to	Rupees in '000
Administrative Expense - Worker's Welfare Fund	Other charges - Worker's Welfare Fund	12,648
Administrative Expense - Repairs and maintenance	Administrative Expense - Salaries, allowances, and other benefits	19,953
Administrative Expense - Repairs and maintenance	Administrative Expense - Rent, taxes, insurance, electricity, etc.	52,039
Other Income - other	Fee, commission and brokerage income	13,968
Other Charges - others	Administrative expense - others	4,249

43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 04, 2013 by the Board of Directors of the Bank.



Chairman



President / Chief Executive



Director



Director

Annexure 1

Details of amounts disposed off during the year including assets disposed off to Chief Executive Officer or to a Director or to Executives or to any related parties irrespective of the value, are as follows;

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
----- Rupees in thousand -----							
ATM Machine Mother Board	44	34	10	44	34	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	9	5	14	9	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	14	-	14	14	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	12	2	14	12	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	10	4	14	10	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	28	19	9	28	19	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	13	13	-	13	13	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	28	16	12	28	16	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	21	19	2	21	19	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	14	-	14	14	Takaful Claim	Pak Qatar General Takaful Limited
CISCO Router	273	273	-	273	273	Takaful Claim	Pak Qatar General Takaful Limited
CISCO Router	693	546	147	693	546	Takaful Claim	Pak Qatar General Takaful Limited
Desktop	2	2	-	2	2	Takaful Claim	Pak Qatar General Takaful Limited
Desktop	5	5	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Desktop	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Electrical Work	55	20	35	55	20	Takaful Claim	Pak Qatar General Takaful Limited
E-Queue Management System	143	117	26	143	117	Takaful Claim	Pak Qatar General Takaful Limited
Hard Drive	9	1	8	9	1	Takaful Claim	Pak Qatar General Takaful Limited
HP Server	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
HP Server Motherboard	35	2	33	35	2	Takaful Claim	Pak Qatar General Takaful Limited
IP Phones	10	9	1	9	8	Takaful Claim	Pak Qatar General Takaful Limited
IP Phones	14	13	1	14	13	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	84	84	-	5	5	Bank's policy	Ahmed Mobeen
Laptop	26	19	7	7	-	Bank's policy	Ahmed Mustafa
Laptop	74	74	-	5	5	Bank's policy	Aleem Azimi
Laptop	74	74	-	5	5	Bank's policy	Arbab Wadood
Laptop	74	74	-	5	5	Bank's policy	Arsalan Vohra
Laptop	81	81	-	5	5	Bank's policy	Ata Hussain
Laptop	74	74	-	5	5	Bank's policy	Atika Khan
Laptop	83	83	-	5	5	Bank's policy	Bilal Zuberi
Laptop	84	84	-	5	5	Bank's policy	Farman Ahmed
Laptop	81	81	-	5	5	Bank's policy	Farooq Anwar
Laptop	84	84	-	5	5	Bank's policy	Hasan A Bilgrami
Laptop	84	84	-	5	5	Bank's policy	Khawaja Ehrar ul Hasan
Laptop	81	81	-	5	5	Bank's policy	M Faisal Sheikh
Laptop	84	84	-	5	5	Bank's policy	M Furqan
Laptop	83	83	-	5	5	Bank's policy	Mujtaba Hussain
Laptop	74	74	-	5	5	Bank's policy	Rehan Shuja
Laptop	84	84	-	5	5	Bank's policy	Sajid Hussain
Laptop	84	84	-	5	5	Bank's policy	Sarfraz Waris
Laptop	83	83	-	5	5	Bank's policy	Sheba Matin Khan
Laptop	83	83	-	5	5	Bank's policy	Syed Akhtar Ausaf
Laptop	83	83	-	5	5	Bank's policy	Syed Tanveer
Laptop	74	74	-	5	5	Bank's policy	Zahid Karim
LCD Monitor	2	2	-	2	2	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitor	2	2	-	2	2	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitor	16	16	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
Main Board of UPS	37	37	-	38	38	Takaful Claim	Pak Qatar General Takaful Limited
Main Board of UPS	22	22	-	23	23	Takaful Claim	Pak Qatar General Takaful Limited
Motorcycle	70	3	67	66	(1)	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply - Server	21	20	1	22	21	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply - Server	22	21	1	22	21	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply - Server	21	21	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
Refrigerator	22	19	3	3	-	Negotiation	AS Electronics
Refrigerator	22	19	3	4	1	Negotiation	AS Electronics
Refrigerator	23	19	4	4	-	Negotiation	AS Electronics
Server	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
Server	26	26	-	26	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	26	26	-	26	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	43	36	7	43	36	Takaful Claim	Pak Qatar General Takaful Limited
Server	55	55	-	54	54	Takaful Claim	Pak Qatar General Takaful Limited
Server	21	21	-	21	21	Takaful Claim	Pak Qatar General Takaful Limited
Server	10	8	2	9	7	Takaful Claim	Pak Qatar General Takaful Limited
Server	40	39	1	40	39	Takaful Claim	Pak Qatar General Takaful Limited
Server	27	26	1	27	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	27	26	1	27	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	25	20	5	25	20	Takaful Claim	Pak Qatar General Takaful Limited
Server	27	26	1	27	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
Server	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Server Power Supply	22	2	20	22	2	Takaful Claim	Pak Qatar General Takaful Limited
Split AC	78	54	24	78	54	Takaful Claim	Pak Qatar General Takaful Limited
Suzuki Cultus	699	375	324	525	201	Employment terms	Ayaz Chaudhry
Suzuki Cultus	813	429	384	684	300	Employment terms	S Hamid Jawad Bukhari
Suzuki Liana	852	743	109	488	379	Employment terms	Fesal Omar
Suzuki Liana	852	793	59	511	452	Auction	Auction - Naveed Rauf
Suzuki Sprinter	52	44	8	18	10	Auction	Auction - Naveed Rauf
Switch	577	81	496	577	81	Takaful Claim	Pak Qatar General Takaful Limited
Toshiba Note Book	81	81	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Toshiba Note Book	74	74	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Toshiba Note Book	74	74	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Toyota Camry	3,203	3,022	181	294	113	Employment terms	Hasan A Bilgrami
UPS	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
----- Rupees in thousand -----							
UPS	15	15	-	15	15	Takaful Claim	Pak Qatar General Takaful Limited
UPS	10	10	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
UPS	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
UPS	17	17	-	17	17	Takaful Claim	Pak Qatar General Takaful Limited
UPS	425	399	26	425	399	Takaful Claim	Pak Qatar General Takaful Limited
UPS	10	8	2	10	8	Takaful Claim	Pak Qatar General Takaful Limited
UPS	19	18	1	20	19	Takaful Claim	Pak Qatar General Takaful Limited
UPS	265	265	-	265	265	Takaful Claim	Pak Qatar General Takaful Limited
UPS	26	26	-	26	26	Takaful Claim	Pak Qatar General Takaful Limited
Video Conferencing Equipment	473	473	-	473	473	Takaful Claim	Pak Qatar General Takaful Limited
Total	12,520	10,487	2,033	6,687	4,654		

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the consolidated Annual Results of the Bank along with its subsidiary BankIslami Modaraba Investment Ltd. for the period ended December 31, 2012. The highlights of the year under review are:

	Dec-12	Dec-11	Growth (%)
	Rupees in '000'		
Total Deposits	64,111	50,468	27.03%
Total Assets	74,132	58,717	26.25%
Total Financing-net	27,433	24,665	11.22%
Total Investments	28,818	20,892	37.94%
Shareholder's Equity	5,553	5,138	8.08%
Branches	141	102	38%
	Dec-12	Dec-11	
	Rupees		
Basic Earnings/(loss) per share	0.78	0.77	1.30%

Our group performance remained satisfactory. The Group has been able to post growth in its deposits by 27.03%, Financings by 11.22% and total Assets by 26.25%.

The Board would like to place on record its deep appreciation to the State Bank of Pakistan which has supported us with an un-wavering commitment. Gratitude is also due to the Securities and Exchange Commission of Pakistan. Finally, we are thankful to our employees and customers for their patronage and support.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer

March 04, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising the consolidated statement of financial position of BankIslami Pakistan Limited (the Holding Company) and its subsidiary company, BankIslami Modaraba Investments Limited 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 (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. These consolidated financial statements include the unaudited certified returns from the branches of the Holding Company, except for eight branches, which have been audited by us. We have also expressed a separate opinion on the separate financial statements of BankIslami Pakistan Limited and have performed a limited scope review under the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of BankIslami Pakistan Limited and its subsidiary company as at December 31, 2012 and the results of their operations, their comprehensive income, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Emphasis of matter paragraph

We draw attention to note 1.2 to the accompanying consolidated financial statements which describes the matter relating to shortfall in minimum capital requirements of BankIslami Pakistan Limited as at December 31, 2012. The State Bank of Pakistan has given extension in timeline to the Bank till March 31, 2013 to meet this requirement. Our opinion is not qualified in respect of this matter.



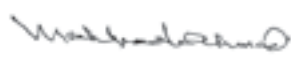
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: March 8, 2012
Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	2012	2011 (Restated)	2010 (Restated)
----- Rupees in '000 -----				
ASSETS				
Cash and balances with treasury banks	6	4,938,712	4,684,831	3,035,153
Balances with other banks	7	806,282	549,411	570,858
Due from financial institutions	8	8,475,672	4,436,264	4,513,132
Investments	9	28,817,928	20,891,908	13,564,654
Islamic financing and related assets - net	10	27,433,262	24,665,459	19,565,710
Operating fixed assets	11	1,919,513	1,816,863	2,048,855
Deferred tax assets	12	87,339	188,442	409,483
Other assets	13	1,653,671	1,483,355	1,238,833
		74,132,379	58,716,533	44,946,678
LIABILITIES				
Bills payable	14	1,251,010	798,853	563,020
Due to financial institutions	15	1,621,415	800,000	353,000
Deposits and other accounts	16	64,110,616	50,468,674	38,109,790
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	17	1,576,491	1,342,233	1,156,705
		68,559,532	53,409,760	40,182,515
NET ASSETS		<u>5,572,847</u>	<u>5,306,773</u>	<u>4,764,163</u>
REPRESENTED BY				
Share capital	18	5,279,679	5,279,679	5,279,679
Reserves	19	173,392	91,221	9,310
Unappropriated profit / (accumulated losses)		100,283	(233,205)	(557,208)
		5,553,354	5,137,695	4,731,781
Surplus on revaluation of assets - net of tax	20	19,493	169,078	32,382
		<u>5,572,847</u>	<u>5,306,773</u>	<u>4,764,163</u>
CONTINGENCIES AND COMMITMENTS	21			

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



Chairman



President / Chief Executive



Director

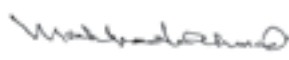


Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011 (Restated)
		----- Rupees in '000 -----	
Profit / return earned	22	5,976,868	5,504,739
Profit / return expensed	23	<u>3,497,443</u>	<u>2,873,119</u>
Net spread earned		2,479,425	2,631,620
Provision against non-performing Islamic financing and related assets - net	10.14	<u>111,072</u>	<u>60,523</u>
Reversal of provision for diminution in the value of investments	9.7	<u>(15,000)</u>	<u>1,195</u>
Bad debts written off directly		-	-
		<u>96,072</u>	<u>61,718</u>
Net spread after provisions / (reversals)		2,383,353	2,569,902
OTHER INCOME			
Fee, commission and brokerage income		<u>181,237</u>	<u>124,086</u>
Dividend Income		2	2
Income from dealing in foreign currencies		100,957	63,285
Gain on sale of securities	25	219,892	-
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income	24	<u>31,870</u>	<u>39,279</u>
Total other income		<u>533,958</u>	<u>226,652</u>
		2,917,311	2,796,554
OTHER EXPENSES			
Administrative expenses	26	<u>2,276,175</u>	<u>2,144,631</u>
Other (reversals) / provisions / write offs	13.3	<u>(4,754)</u>	<u>24,210</u>
Other charges	27	<u>12,969</u>	<u>13,207</u>
Total other expenses		<u>2,284,390</u>	<u>2,182,048</u>
		632,921	614,506
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		<u>632,921</u>	<u>614,506</u>
Taxation			
- Current	28	<u>34,436</u>	<u>59,816</u>
- Prior years	28	-	1,340
- Deferred	28	<u>182,826</u>	<u>147,436</u>
		217,262	208,592
PROFIT AFTER TAXATION		<u><u>415,659</u></u>	<u><u>405,914</u></u>
----- Rupees -----			
Basic earnings per share	29	<u>0.7873</u>	<u>0.7688</u>
Diluted earnings per share	29	<u>0.7873</u>	<u>0.7688</u>

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



Chairman



President / Chief Executive



Director



Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011 (Restated)
		----- Rupees in '000 -----	
Profit after taxation for the year		415,659	405,914
Comprehensive income transferred to equity		415,659	405,914
Components of comprehensive income not reflected in equity :			
Surplus on revaluation of available for sale investments - net of tax	20.2	6,439	136,696
Total comprehensive income for the year		422,098	542,610

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



Chairman



President / Chief Executive



Director



Director

CONSOLIDATED CASH FLOW STATEMENT

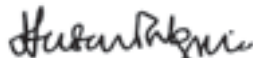
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011 (Restated)
----- Rupees in '000 -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		632,921	614,506
Less: Dividend Income		(2)	(2)
		632,919	614,504
Adjustments:			
Depreciation	26	275,083	311,474
Amortisation	26.2	23,927	29,705
Depreciation on operating Ijarah assets	10.12.1	391,571	255,941
Provision / (reversal of provision) against non-performing Islamic financing and related assets - net	10.14	111,072	60,523
Reversal of provision for diminution of in value of investments	9.7	(15,000)	1,195
Other (reversals) / provisions / write offs	13	(4,754)	24,210
Gain on sale of property and equipment	24	(4,680)	(12,787)
Deferred cost amortised	13.2	-	4,086
		777,219	674,347
		1,410,138	1,288,851
(Increase) / decrease in operating assets			
Due from financial institutions		(4,039,408)	76,868
Islamic financing and related assets		(3,270,446)	(5,416,213)
Others assets (excluding advance taxation and deferred cost)		(157,386)	(273,145)
		(7,467,240)	(5,612,490)
Increase / (decrease) in operating liabilities			
Bills payable		452,157	235,833
Due to financial institutions		821,415	447,000
Deposits and other accounts		13,641,942	12,358,884
Other liabilities (excluding current taxation)		234,258	185,528
		15,149,772	13,227,245
		9,092,670	8,903,606
Income tax paid		(42,612)	(60,829)
Net cash generated from operating activities		9,050,058	8,842,777
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(8,142,328)	(7,118,148)
Dividend received		2	2
Investments in operating fixed assets		(403,693)	(128,862)
Proceeds from disposal of operating fixed assets		6,713	32,462
Net cash used in investing activities		(8,539,306)	(7,214,546)
Increase / (decrease) in cash and cash equivalents		510,752	1,628,231
Cash and cash equivalents at beginning of the year	30	5,234,242	3,606,011
Cash and cash equivalents at end of the year	30	5,744,994	5,234,242

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



Chairman



President / Chief Executive



Director




Director

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

	Share capital	Statutory reserve	Unappropriated profit / (Accumulated loss)	Total
	----- Rupees in '000 -----			
Balance as at January 01, 2011	5,279,679	9,310	(557,208)	4,731,781
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	405,914	405,914
Transfer to statutory reserve	-	81,911	(81,911)	-
Balance as at December 31, 2011	<u>5,279,679</u>	<u>91,221</u>	<u>(233,205)</u>	<u>5,137,695</u>
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	415,659	415,659
Transfer to statutory reserve	-	82,171	(82,171)	-
Balance as at December 31, 2012	<u><u>5,279,679</u></u>	<u><u>173,392</u></u>	<u><u>100,283</u></u>	<u><u>5,553,354</u></u>

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



Chairman



President / Chief Executive



Director



Director



BANKISLAMI PAKISTAN LIMITED AND ITS SUBSIDIARY COMPANY NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1 STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

BankIslami Pakistan Limited (Holding Company)

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 141 branches including 53 sub branches as at December 31, 2012 (2011: 102 branches including 32 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited.

Based on the financial statements of the Bank for the year ended December 31, 2011, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

1.2 The State Bank of Pakistan (SBP) vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2012 is Rs 9 billion (2011: Rs 8 billion) and 10 percent (2011: 10 percent) respectively. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. However, the paid up capital of the Bank (free of losses) as at December 31, 2012 amounts to Rs 5.280 billion although its CAR stands at 15.19 percent.

The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. Recently, the SBP vide its letter no. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting the paid up capital (free of losses) of Rs 6 billion and to submit the reassessed issue price of right shares till March 31, 2013. Moreover, the Bank has also been advised by the SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

BankIslami Modaraba Investments Limited (Subsidiary Company) - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 under the Companies Ordinance, 1984 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company has been eliminated against the shareholder's equity in the subsidiary company. Intra group balances or transactions have been eliminated.

The financial statements of the subsidiary company have been consolidated on the basis of reviewed condensed interim financial statements for the half year ended December 31, 2012.

The financial statements of "Modaraba Al-Mali", a modaraba floated by the subsidiary company in which it has 13 percent holding, have not been consolidated although the Group has control over Modaraba Al-Mali by virtue of management rights. The management of the Group is of the view that consolidated financial statements are required to be prepared only for subsidiaries as defined in the Companies Ordinance, 1984. "Modaraba Al-Mali" is a modaraba floated under the Modaraba Companies and Modaraba (flotation and control) Ordinance, 1980 and does not fall under the definition of subsidiary as defined under the Companies Ordinance, 1984. Hence, the financial statements of "Modaraba Al-Mali" are not required to be consolidated in the Group's consolidated financial statements.

2 BASIS OF PRESENTATION

- 2.1 The Group provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes as briefly explained in note 5.3.

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 utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor.

3 STATEMENT OF COMPLIANCE

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

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

- 3.3 SBP through its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of Available-For-Sale Securities (AFS) only may be included in the 'Statement of Comprehensive Income' but will continue to be shown separately in the Statement of Financial Position. Accordingly, the above requirements have been adopted in the preparation of these consolidated financial statements.

- 3.4 IFRS 8 'Operating Segments' is effective for the Group's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by SBP.

3.5 Change in accounting policies and disclosure

The SBP vide BSD Circular Letter No. 03 of 2013 dated January 22, 2013 has made certain changes to the 'Revised Forms of Annual Financial Statements' as applicable to the Group, which have been made effective from December 31, 2012.

As required under the directive issued by the SBP, the Group has changed its accounting policy in respect of presentation and disclosure of Islamic financing and related assets as under:

- The head 'Financings' in the Consolidated Statement of Financial Position has been renamed as 'Islamic financing and related assets'.
- All financing, advances (against murabaha etc), inventories and related assets previously being reported under 'other assets' have now been made part of 'Islamic financing and related assets'.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and accordingly the comparative figures have been restated. The effect of change in the accounting policy on the current and prior period consolidated financial statements have been summarised below:

	December 31, 2012	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----		
Impact on Consolidated Statement of Financial Position			
Decrease in other assets	(4,507,469)	(4,555,058)	(2,895,585)
Increase in Islamic financing and related assets	4,507,469	4,555,058	2,895,585
Impact on Consolidated Profit and Loss Account			
Decrease in Other provisions / write offs	(8,816)	(39,100)	-
Increase in provisioning against Islamic financing and related assets	8,816	39,100	-

3.6 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on the consolidated financial statements of the Group.

3.7 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments will have no impact on consolidated financial statements of the Group.
- IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The amendment may impact the consolidated financial statements of the Group which has not yet been quantified.
- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

3.8 Early adoption of standards

The Group has not early adopted any new or amended standard in 2012.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. Further, staff retirement benefits as disclosed in notes 5.7 and 32 to the consolidated financial statements have been carried at present values as determined under International Accounting Standard 19, "Employee Benefits."

4.2 Functional and Presentation Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

4.3 Rounding off

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

4.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

- (a) Critical judgment in classification and valuation of investments in accordance with the Group's policy (notes 5.2 and 9).
- (b) Provision for non-performing Islamic financing and related assets (notes 5.3 and 10.14).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 10.14.2.1).
- (d) Staff retirement benefits (notes 5.7 and 32).
- (e) Depreciation and amortization methods of operating fixed assets (notes 5.4 and 11).
- (f) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 5.6, 12 and 28).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise specified.

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Investments

5.2.1 Classification

Investments of the Group are classified as follows:

(a) Held-for-trading

These are investments which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held- to-maturity

These are investments with fixed or determinable payments and fixed maturity and the Group has the positive intent and ability to hold them till maturity.

(c) Available-for-sale

These are investments which do not fall under the 'held for trading' or 'held to maturity' categories.

5.2.2 Regular way contracts

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

5.2.3 Initial recognition and measurement

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

Premium or discount on debt securities classified as available for sale is amortised using the effective profit rate method and taken to the consolidated profit and loss account.

5.2.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

These are measured at amortised cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the consolidated statement of comprehensive income but is kept in a separate account shown in the consolidated statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the consolidated profit and loss account when actually realized upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Break up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

(d) Investments in associates

Associates are all entities over which the Group has significant influence but not control.

5.2.5 Impairment

Available for sale and Held to maturity investments

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk certificates is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the Consolidated Statement of Financial Position below equity is removed therefrom and recognised in the consolidated profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the consolidated profit and loss account.

5.2.6 Gains or losses on sale of investments are included in consolidated profit and loss account for the year.

5.3 Islamic financing and related assets

Islamic financing and related assets are financial products originated by the Group and principally comprise Murabaha, Istisna', Ijarah, Salam, Musawama and Diminishing Musharaka financing and the related assets. These are stated net of general and specific provisions.

Specific provision

The Group maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

The Group also maintains general provision at the rate of 5% against unsecured consumer portfolio and at the rate of 1.5% against secured consumer portfolio in accordance with the Prudential Regulations issued by the SBP.

The net provision made / reversed during the year is charged to the consolidated profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

- 5.3.1** Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the consolidated profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the consolidated statement of financial position date are recorded as inventories.

- 5.3.2** The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to consolidated profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Group) sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. In principle on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Group purchases the assets / goods subject of the Murabaha from a third party and takes the possession thereof. However the Group can appoint the client as its agent to purchase the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Group (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisna'a is an order to manufacture or construct some assets. Istisna'a has two legs: first the Group acquires the described goods by way of Istisna'a to be manufactured by the customer from raw material of its own and once the goods are delivered to the Group, the customer through an independent agency contract, will sell the same to various end-users as the agent of the Group.

Ijarah is a contract in which the Group buys and rents a productive asset to a person short of funds and in need of that asset.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawama is a sale transaction in which price of a commodity to be traded is bargained between the seller and the purchaser without any reference to the cost incurred by the seller.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Group).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.3.3 Ijarah Financing

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFAS-2.

- (a) Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. The unearned income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charged are taken to the consolidated profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

5.4 Operating fixed assets and depreciation

5.4.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 11.2 to the consolidated financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

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

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

5.4.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any.

5.4.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over the estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment losses, if any.

Amortization on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Group.

5.4.4 Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the consolidated financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

5.5 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

5.6 Taxation

5.6.1 Current

The provision for current taxation is based on taxable income for the year at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as allowed under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

5.6.2 Deferred

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting 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 utilised.

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

5.7 Staff retirement benefits

5.7.1 Defined benefit plan

The Group operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity fund, is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2012. Actuarial gains and losses are recognised as income or expense over the average remaining working lives of the employees, if the net cumulative unrecognized actuarial gains or losses for the fund at the end of the previous financial year exceed 10% of the higher of defined benefit obligation and the fair value of the plan assets.

5.7.2 Defined contribution plan

The Group operates a recognised contributory provident fund for all the permanent employees. Equal monthly contributions are made both by the Group and the employees at the rate of 10 % of the basic salary. The Group has no further payment obligations once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

5.8 Revenue recognition

- 5.8.1** Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.
- 5.8.2** Profit from Istisn'a is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Group. Profit from Diminishing Musharaka, Salam and Musawama are recognised on a time proportionate basis.
- 5.8.3** The Group follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the consolidated profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

- 5.8.4** Profit on Diminishing Musharaka is recognised on an accrual basis.
- 5.8.5** Provisional profit of Musharaka / Modaraba financing is recognised on an accrual basis. Actual profit / loss on Musharaka and Modaraba financing is adjusted for declaration of profit by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.
- 5.8.6** Profit on classified financing is recognised on receipt basis.
- 5.8.7** Dividend income is recognised when the right to receive the dividend is established.
- 5.8.8** Gains and losses on sale of investments are included in the consolidated profit and loss account.
- 5.8.9** Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transaction consummates within an accounting period. Fee on guarantees, if considered material, is recognised over the period of guarantee.
- 5.8.10** Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the consolidated profit and loss account over the remaining maturity, using the effective yield method.

5.9 Financial Instruments

5.9.1 Financial assets and financial liabilities

All financial assets and liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the consolidated statement of financial position includes cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financing and related assets and certain receivables and financial liabilities include bills payable, due to financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.9.2 Offsetting of financial instruments

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

5.9.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. The resultant gains and losses are taken to the consolidated profit and loss account currently.

5.10 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the consolidated statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

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

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

5.11 Acceptances

Acceptances comprise promises by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities.

5.12 Fiduciary assets

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

5.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is remote.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Charge to the consolidated profit and loss account is stated net of expected recoveries.

5.14 Deferred costs

As allowed by SBP pre-operating / preliminary expenses are included in deferred costs and these are amortized over a maximum period of five years on straight line basis from the date of commencement of business.

5.15 Segment reporting

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

5.15.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, credit, funding, own position securities, placements and Islamic financing and related assets.

Retail banking

It includes retail Islamic financing and related assets, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Support Centre

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

5.15.2 Geographical segment

The Group has 141 branches including 53 sub branches (2011: 102 branches including 32 sub branches) and operates only in Pakistan.

5.16 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claim are stated at the lower of the financed amount and their market value at the time of acquisition. The Group carries out periodic valuation of these assets and any decline in their value below the recognized amount is charged to the consolidated profit and loss account. These assets are disclosed in other assets as specified by the SBP.

5.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6	Note	2012 ----- Rupees in '000 -----	2011
CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		937,126	835,995
- foreign currency		158,943	97,403
		1,096,069	933,398
With the State Bank of Pakistan in			
- local currency current account	6.1	2,850,184	2,857,995
- foreign currency deposit accounts			
Cash Reserves Account	6.2	67,228	42,005
Special Cash Reserve Account	6.3	80,925	50,189
US Dollar Clearing Account	6.4	19,296	16,634
		167,449	108,828
With National Bank of Pakistan in			
- local currency current account		825,010	784,610
		4,938,712	4,684,831

6.1 This represents Rs.2,850.184 million (2011: Rs. 2,857.995 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement. The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

- 6.2** As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 6.3** Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit was not remunerated (2011: Nil).
- 6.4** This includes Rs.136.352 million (2011: Rs.70.883 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. The balance amount is available to the Group for its operations. These deposits do not carry any return.

7	Note	2012	2011
----- Rupees in '000 -----			
BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		7,917	15,206
- on deposit accounts	7.1	291	247
		8,208	15,453
Outside Pakistan			
- on current accounts		798,074	533,958
- on deposit accounts		-	-
		798,074	533,958
		806,282	549,411

- 7.1** Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rate on these arrangements is 6% (2011: 5 %) per annum.

8	Note	2012	2011
----- Rupees in '000 -----			
DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	8.1	6,418	6,418
Commodity Murabaha - local currency	8.2 & 8.3	4,975,672	3,911,264
		4,982,090	3,917,682
Musharaka Placement	8.4	3,500,000	525,000
	8.5	8,482,090	4,442,682
Provision against Sukuk Murabaha	8.1	(6,418)	(6,418)
		8,475,672	4,436,264

- 8.1** The Group entered into Sukuk Murabaha arrangement under which the Group appointed its client as an agent under asset purchase agreements to purchase the underlying sukuk from the open market on its behalf and later sell them on deferred Murabaha basis. The maturity date of the deal was February 08, 2009. The Group is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

- 8.2** The Group has entered into Commodity Murabaha agreements under which the Group purchases an underlying commodity from the open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreement range between 6.95% to 9.75% (2011: 10.75% to 12.5%) per annum and the agreements have a maturity ranging from 2 days to 63 days.

	2012	2011
----- Rupees in '000 -----		
8.3 Commodity Murabaha sale price	442,116,530	529,196,217
Purchase price	(441,486,000)	(528,466,000)
	630,530	730,217
Deferred Commodity Murabaha income		
Opening balance	7,399	10,474
Deferred during the year	630,530	730,217
Recognised during the year	(604,784)	(733,292)
	33,145	7,399
Commodity Murabaha		
Opening balance	3,911,264	4,513,132
Sales during the year	442,116,530	529,196,217
Received during the year	(441,052,122)	(529,798,085)
	4,975,672	3,911,264

- 8.4 The Group has entered into Musharaka arrangements under which the Group contributes money with other financial institutions for profit and loss sharing based on predetermined ratio. The profit rates on these arrangements range between 9% to 9.5% (2011: 11.90%) per annum and the arrangements have a maturity ranging from 2 to 35 days.

8.5 Particulars of amounts due from financial institutions with respect to currencies:	2012	2011
	----- Rupees in '000 -----	
- In local currency	8,482,090	4,442,682
- In foreign currency	-	-
	<u>8,482,090</u>	<u>4,442,682</u>

9 INVESTMENTS

9.1 Investments by types

Note	-----2012-----			-----2011-----		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
	----- (Rupees in '000) -----					
Available for sale securities						
Sukuk / Certificates	27,826,753	-	27,826,753	20,644,425	-	20,644,425
Units of Open-end mutual fund	960,015	-	960,015	15	-	15
Units of Closed-end mutual fund	6	-	6	6	-	6
	<u>28,786,774</u>	<u>-</u>	<u>28,786,774</u>	<u>20,644,446</u>	<u>-</u>	<u>20,644,446</u>
Modaraba						
Modaraba-Al-Mali	16,208	-	16,208	16,208	-	16,208
	<u>28,802,982</u>	<u>-</u>	<u>28,802,982</u>	<u>20,660,654</u>	<u>-</u>	<u>20,660,654</u>
Less: Provision for diminution in value of investments	(13,866)	-	(13,866)	(28,866)	-	(28,866)
Investments - net of Provisions	<u>28,789,116</u>	<u>-</u>	<u>28,789,116</u>	<u>20,631,788</u>	<u>-</u>	<u>20,631,788</u>
Surplus on revaluation of available-for-sale securities	28,812	-	28,812	260,120	-	260,120
	<u>28,817,928</u>	<u>-</u>	<u>28,817,928</u>	<u>20,891,908</u>	<u>-</u>	<u>20,891,908</u>

9.2 Investments by segments	Note	2012	2011
		----- Rupees in '000 -----	
Federal Government Securities			
GOP Ijarah Sukuks	9.3	25,658,151	18,300,248
Sukuk certificates			
Sukuks - unlisted	9.3	2,168,602	2,344,177
Fully paid up ordinary shares / Units			
Modaraba Certificates	9.6	16,208	16,208
Units of Open-end Mutual Funds	9.4	960,015	15
Units of Closed-end Mutual Funds	9.4	6	6
		<u>28,802,982</u>	<u>20,660,654</u>
Less: Provision for diminution in value of investments	9.7	(13,866)	(28,866)
Investments - net of provisions		<u>28,789,116</u>	<u>20,631,788</u>
Surplus on revaluation of available-for-sale securities	20	28,812	260,120
		<u>28,817,928</u>	<u>20,891,908</u>

9.3 Available for sale securities

Name of the investee company	Note	2012 Number of Certificates	2011	Face Value (Rupees)	2012 Cost ----- Rupees in '000 -----	2011 Cost
Sukuk Certificates						
Federal Government						
Ijarah GOP Sukuk - 3	9.3.1	-	20,000	100,000	-	2,000,000
Ijarah GOP Sukuk - 5	9.3.2	58,550	50,000	100,000	5,890,393	5,000,000
Ijarah GOP Sukuk - 6	9.3.3	25,000	25,000	100,000	2,518,702	2,500,000
Ijarah GOP Sukuk - 7	9.3.4	31,500	30,500	100,000	3,184,701	3,050,000
Ijarah GOP Sukuk - 8	9.3.5	22,500	22,500	100,000	2,271,420	2,250,248
Ijarah GOP Sukuk - 9	9.3.6	36,250	35,000	100,000	3,661,790	3,500,000
Ijarah GOP Sukuk - 10	9.3.7	25,750	-	100,000	2,575,663	-
Ijarah GOP Sukuk - 12	9.3.8	25,000	-	100,000	2,525,452	-
Ijarah GOP Sukuk - 11	9.3.9	30,000	-	100,000	3,030,030	-
					25,658,151	18,300,248
Others						
First WAPDA Sukuk	9.3.10	-	60,000	5,000	-	299,737
Second WAPDA Sukuk	9.3.11	134,000	134,000	5,000	557,562	668,903
Pak Electron Sukuk	9.3.12	60,000	60,000	5,000	128,571	128,571
Amtex Sukuk	9.3.13	59,000	59,000	5,000	221,250	221,250
Engro Fertilizer Sukuk	9.3.14	65,000	65,000	5,000	323,105	322,511
Security Leasing Sukuk	9.3.15	2,000	2,000	5,000	3,691	4,219
Third Sitara Chemicals Sukuk	9.3.16	8,000	8,000	5,000	3,333	16,667
Sitara Energy Sukuk - 1	9.3.17	-	6,000	5,000	-	6,247
Sitara Energy Sukuk - 2	9.3.18	-	4,000	5,000	-	4,028
New Allied Electronics (LG) - Sukuk	9.3.19	11,000	11,000	5,000	55,000	55,000
Sui Southern Gas Company Sukuk	9.3.20	120,000	84,000	5,000	600,000	168,000
Kohat Cement Sukuk	9.3.21	27,000	27,000	5,000	30,984	95,310
Eden Housing Sukuk	9.3.22	50,000	50,000	5,000	118,437	170,399
Optimus Sukuk	9.3.23	50,000	50,000	5,000	104,169	145,835
HBFC Sukuk	9.3.24	15,000	15,000	5,000	22,500	37,500
					2,168,602	2,344,177
					<u>27,826,753</u>	<u>20,644,425</u>

- 9.3.1** The profit rate on these sukuk comprises of six months weighted average yield of market treasury bills. The principal is redeemable on maturity in March 2012. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.2** The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in November 2013. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.3** The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in December 2013. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.4** The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.5** The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in May 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.6** The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in December 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.7** The profit rate on these sukuk comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2015. These are backed by Government of Pakistan's Sovereign Guarantee.

- 9.3.8** The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in June 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.9** The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in April 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.10** These carried profit at the rate of six months KIBOR plus 35 basis points (2011: six months KIBOR plus 35 basis points) receivable on semi-annual basis. The sukuk matured in October 2012 and the principal and profit were repaid on maturity. The purchase price and rentals were backed by Government of Pakistan's Sovereign Guarantee.

The Group had purchased 10,000 certificates on June 25, 2009 of WAPDA – 1 Sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Group's CDC account. However, the periodic Ijarah Rental dues were not paid to the Group on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been reclassified to other assets.

- 9.3.11** These carry profit at the rate of six months KIBOR minus 25 basis points (2011: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal is repayable in 12 equal semi-annual installments with first installment falling due in the 54th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.12** These Sukuks have been restructured last year. These Sukuks carry profit at the rate of three months KIBOR plus 175 basis points (2011: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2014. The outstanding principal will be redeemed in 6 equal quarterly installments starting from June 2013.
- 9.3.13** These carry profit at the rate of three months KIBOR plus 200 basis points (2011: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism. The sukuks matured in October 2012. As per the terms, principal was due to be redeemed in 12 consecutive quarterly installments with the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuk are backed by guarantee of Rs. 740 million from the Bank of Punjab. During 2010, Amtex defaulted in its principal repayment. Consequently, the Group suspended the accrual of profit from the Sukuk. In 2011, the Group called the guarantee provided by the Bank of Punjab. During the year, the guarantee expired however the legal advisor of the Group is of the opinion that the amount will be recovered as the guarantee for the same had been called before its expiry.
- 9.3.14** These carry profit at the rate of six months KIBOR plus 150 basis points (2011: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharaka mechanism with maturity in September 2015. Principal repayment to be made in two consecutive, equal semi annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility. As a security first pari passu charge has been provided on all present and future fixed assets of the Company with margin.
- 9.3.15** These Sukuks have been further restructured w.e.f. March 2011. After restructuring these Sukuks carry profit at the rate of 0%, (2011: 6% (3% Cash + 3% accrual) upto September 2011 receivable monthly and thereafter at the rate of 1 month KIBOR upto maturity. The accrued profit amount to be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010). As per the new restructured plan principal will be repaid in 36 monthly installments and the accrued portion of profit upto March 2011 has also been waived.

However, the issuer was unable to comply with the above restructuring plan and has executed a revised restructuring plan which has been approved by the minority sukuk holders. Currently, the customer is making payments as per the restructuring plan approved by the minority sukuk holders.

- 9.3.16** These carry profit at the rate of three months KIBOR plus 100 basis points (2011: three months KIBOR plus 100 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. The principal will be redeemed in 12 equal quarterly installments the first such installment falling due on the 27th month from the date of first draw down. As a security specific and exclusive hypothecation charge in respect of the Musharaka assets in favour of the investors to the extent of entire legal ownership rights of the company (covering the entire amount of Sukuk along with an 18.22% margin) is provided. There is an early purchase option available to the issuer after 2 years of disbursement with "No Early Payment Penalty".

- 9.3.17** These carry profit at the rate of six months KIBOR plus 195 basis points (2011: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin has been provided.
- 9.3.18** These carry profit at the rate of six months KIBOR plus 195 basis points (2011: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin has been provided.
- 9.3.19** These carry profit at the rate of three months KIBOR plus 220 basis points (2011: three months KIBOR plus 220 basis points) receivable semi-annually with maturity in December 2012. The principal was to be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 800 million of the company, irrevocable guarantee of a Financial Institution and Personal Guarantee of sponsoring directors has been provided. The customer has defaulted in its payments towards the Group. An amount of Rs. 55 million has been deposited with the Group over which lien in favour of the Group has been marked. Hence, no provision has been recognised by the Group.
- 9.3.20** These carry profit at the rate of three months KIBOR plus 20 basis points (2011: three months KIBOR plus 20 basis points) receivable on quarterly basis. The sukuk matured in December 2012 and the principal and profit was repaid on maturity. The purchase price and rentals were backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin had been provided.
- These carry profit at the rate of three months KIBOR plus 75 basis points receivable on quarterly basis. The purchase price and rentals are backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin had been provided.
- 9.3.21** These sukuks have been restructured last year. These Sukuks carry profit at the rate of three months KIBOR plus 150 basis points (2011: three months KIBOR plus 150 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2016. As per the new "Restructuring Agreement", principal to be redeemed with revised mechanism and profit for the first four quarters will go into a frozen account, which will be retired through payments made from the 13th quarter to the 20th quarter. As a security first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount, along with 25% margin and first ranking mortgage over all present and future immoveable properties of the Company with a 25% margin over the facility amount has been provided.
- 9.3.22** These Sukuks carry profit at the rate of three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014. (2011: three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014) receivable quarterly based on Diminishing Musharaka mechanism with maturity in June 2014. These sukuks were restructured in 2010, Accordingly the principal redemption started from September 2010 till June 2014 and will be calculated using the percentage as mentioned in the "Restructuring Agreement". As a security charge over hypothecated assets amounting to Rs. 2,445 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) has been created by the issuer in favour of the trustee.
- 9.3.23** These carry profit at the rate of six months KIBOR plus 125 basis points (2011: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly installments, the first such installment falling due not later than the end of the 15th month from the last drawdown. As a security, first specific charge on specified vehicles amounting to Rs. 250 million of the company (on market value to be established every year by approved valuator) and a 25% margin over the principal amount in the form of first floating charge on the company's present and future current assets has been provided.
- 9.3.24** These carry profit at the rate of six months KIBOR plus 100 basis points (2011: six months KIBOR plus 100 basis points) receivable semi annually and the first such profit payment will fall due after six months from the issue date with maturity in May 2014. As a security first charge over specific assets of the Company with 25% security margin has been provided. The principal will be redeemed in 10 equal semi-annual installments starting from 18th month of the date of issue of Sukuk.

9.4 Details of investments in Mutual Funds

Name of investee fund	2012		2011	
	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	141	128	5	5
Meezan Islamic Fund	199	166	5	5
Meezan Islamic Income Fund	131	115	5	5
ABL Islamic Income Fund	23,992,802	-	240,000	-
UBL Islamic Sovereign Fund	2,389,962	-	240,000	-
Askari Islamic Income Fund	2,389,327	-	240,000	-
MCB Islamic Income Fund	2,397,123	-	240,000	-
			960,015	15
Closed end mutual funds				
Meezan Balanced Fund	1,000	1,000	6	6
			960,021	21

9.5 Quality of Available for Sale Securities

Sukuks / Certificates - (at market value / cost)	2012		2011	
	Long / Medium Term Rating (Where available)		Rupees in '000	
Ijarah GOP Sukuk - 3	Unrated	Unrated	-	2,017,600
Ijarah GOP Sukuk - 5	Unrated	Unrated	5,897,742	5,055,000
Ijarah GOP Sukuk - 6	Unrated	Unrated	2,523,250	2,563,000
Ijarah GOP Sukuk - 7	Unrated	Unrated	3,179,610	3,125,335
Ijarah GOP Sukuk - 8	Unrated	Unrated	2,272,050	2,280,825
Ijarah GOP Sukuk - 9	Unrated	Unrated	3,655,087	3,512,950
Ijarah GOP Sukuk - 10	Unrated	Unrated	2,603,066	-
Ijarah GOP Sukuk - 12	Unrated	Unrated	2,524,000	-
Ijarah GOP Sukuk - 11	Unrated	Unrated	3,027,300	-
WAPDA First Sukuk Certificates	Unrated	Unrated	-	301,410
WAPDA Second Sukuk Certificates	Unrated	Unrated	560,232	672,881
Pak Elektron Limited Sukuk - Sukuk	A	A	128,571	128,571
Amtek Sukuk - Sukuk	D (SO)	D (SO)	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A	AA	323,105	322,511
Security Leasing - Sukuk	Unrated	Unrated	3,691	4,219
Sitara Chemical Industries Limited - Third Sukuk	A+	A+	3,333	16,667
Sitara Energy Limited - Sukuk	Unrated	Unrated	-	6,247
Sitara Energy Limited - Sukuk	Unrated	Unrated	-	4,028
New Allied Electronics (LG) - Sukuk	Default	Default	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA	600,000	168,000
Kohat Cement - Sukuk	Withdrawn	Withdrawn	30,984	95,310
Eden Housing - Sukuk	D	D	118,437	170,399
Optimus - Sukuk	A	A	104,169	145,835
House Building Finance Corporation - Sukuk	A	A	22,500	37,500
			27,853,377	20,904,538
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA+(f)	7	6
Meezan Islamic Fund	MFR 5-Star	5 Star	10	7
Meezan Islamic Income Fund	A+(f)	A+(f)	7	6
ABL Islamic Income Fund	A+(f)		240,307	-
UBL Islamic Sovereign Fund	AA-		240,000	-
Askari Islamic Income Fund	AA-		240,183	-
MCB Islamic Income Fund	A-(f)		240,231	-
Units of closed-end mutual funds (at market value)				
Meezan Balanced Fund	AM2	AM2	12	9
			960,757	28
			28,814,134	20,904,566
Less: Provision for diminution in the value of investments			(13,866)	(28,866)
			28,800,268	20,875,700

9.6 Details of investment in modaraba certificates

Name of investee	Percentage Holding		Number of Certificates		Market Value		Cost	
	2012	2011	2012	2011	2012	2011	2012	2011
					--- Rupees in '000 ---		--- Rupees in '000 ---	
Certificates								
Modaraba Al-Mali (related party)	13	13	2,342,177	2,342,177	3,794	2,342	16,208	16,208

Breakup value per share is based on the financial statements of the subsidiary for the half year ended December 31, 2012.

9.7 Particulars of provision for diminution in the value of investments	Note	2012	2011
		----- Rupees in '000 -----	
Opening balance	9.7.1	28,866	27,671
Charge for the year		-	1,195
Reversals		(15,000)	-
Closing balance		<u>13,866</u>	<u>28,866</u>

9.7.1 Particulars of provision in respect of type and segment

Sukuk certificates			
Sukuks - unlisted		-	15,000
Fully paid up ordinary shares / Units			
Modaraba Certificates		<u>13,866</u>	<u>13,866</u>
		<u>13,866</u>	<u>28,866</u>

10 ISLAMIC FINANCING AND RELATED ASSETS

	Note	2012	2011	2010
		-----Rupees in '000-----		
In Pakistan				
- Murabaha financing and related assets	10.1, 10.6 & 10.8	7,550,602	7,699,202	7,676,366
- Istisna financing and related assets	10.2 & 10.7	5,573,155	5,156,785	3,100,168
- Diminishing Musharka - Housing		1,645,458	1,562,950	946,765
- Diminishing Musharka financing and related assets - Others	10.3	5,646,582	6,461,112	5,541,718
- Against Bills - Murabaha		1,505	65,452	9,575
- Against Bills - Musawama		-	-	2,640
- Post Due Acceptance		38,192	53,397	-
- Musawama financing and related assets	10.4	4,920,580	1,878,760	-
- Financings to employees	10.11	661,837	511,687	400,381
		<u>26,037,911</u>	<u>23,389,345</u>	<u>17,677,613</u>
Housing finance portfolio		153,637	156,111	809,277
Net investment in Ijarah financings in Pakistan	10.11	180,591	371,701	706,358
Ijarah financing under IFAS 2 and related assets	10.5	1,561,690	1,137,797	701,434
Gross financings and related assets		<u>27,933,829</u>	<u>25,054,954</u>	<u>19,894,682</u>
Less: Provision against non-performing financing and related assets	10.9 & 10.10			
- Specific		(467,002)	(360,523)	(296,681)
- General		(33,565)	(28,972)	(32,291)
Financings and related assets – net of provisions		<u>27,433,262</u>	<u>24,665,459</u>	<u>19,565,710</u>
10.1 Murabaha financing and related assets				
Murabaha financing		6,250,321	6,343,955	6,870,285
Advance against Murabaha financing		1,300,281	1,355,247	806,081
		<u>7,550,602</u>	<u>7,699,202</u>	<u>7,676,366</u>

	2012	2011 Restated	2010 Restated
	-----Rupees in '000-----		
10.2 Istisn'a financing and related assets			
Istisn'a financing	3,106,141	2,630,000	1,445,000
Advance against Istisn'a financing	2,306,884	2,526,785	1,655,168
Istisn'a inventories	160,130	-	-
	<u>5,573,155</u>	<u>5,156,785</u>	<u>3,100,168</u>
10.3 Diminishing Musharka financing and related assets			
Diminishing Musharka financing	5,637,986	6,280,778	5,161,718
Advance against Musharka financing	8,596	180,334	380,000
	<u>5,646,582</u>	<u>6,461,112</u>	<u>5,541,718</u>
10.4 Musawama financing and related assets			
Musawama financing	4,362,980	1,427,500	-
Advance against Musawama financing	-	-	-
Musawama inventories	557,600	451,260	-
	<u>4,920,580</u>	<u>1,878,760</u>	<u>-</u>
10.5 Ijarah financing under IFAS 2 and related assets			
Net book value of assets / investment in Ijarah under IFAS 2 10.12.1	1,339,796	1,057,265	647,098
Advance against Ijarah financing	221,894	80,532	54,336
	<u>1,561,690</u>	<u>1,137,797</u>	<u>701,434</u>
10.6 Murahaba financing and related assets includes financing amounting to Rs. 138.241 million (2011: Rs 99.999 million) against Murabaha under Islamic Export Refinance Scheme.			
10.7 Istisna financing and related assets amounting to Rs. 255.015 million (2011: Rs 350 million) against Istisna under Islamic Export Refinance Scheme.			
	2012	2011	2010
	-----Rupees in '000-----		
10.8 Murabaha sale price	20,508,225	22,441,710	17,829,687
Purchase price	(19,708,785)	(21,596,731)	(17,117,952)
	<u>799,440</u>	<u>844,979</u>	<u>711,735</u>
10.8.1 Deferred Murabaha income			
Opening balance	125,122	160,141	81,312
Arising during the year	799,440	844,979	711,735
Recognised during the year	(807,685)	(879,998)	(632,906)
	<u>116,877</u>	<u>125,122</u>	<u>160,141</u>
10.8.2 Murabaha receivable			
Opening balance	6,343,955	6,870,285	4,180,471
Sales during the year	20,508,225	22,441,710	17,829,687
Received during the year	(20,601,859)	(22,968,040)	(15,139,873)
	<u>6,250,321</u>	<u>6,343,955</u>	<u>6,870,285</u>
	2012	2011 Restated	2010 Restated
	----- Rupees in '000 -----		
10.9 Particulars of Islamic financing and related assets			
10.9.1 In local currency	<u>27,933,829</u>	<u>25,054,954</u>	<u>19,894,682</u>
10.9.2 Short -Term (for upto one year)	<u>19,087,562</u>	<u>16,789,710</u>	<u>14,110,443</u>
Long- Term (for over one year)	<u>8,846,267</u>	<u>8,265,244</u>	<u>5,784,239</u>
	<u>27,933,829</u>	<u>25,054,954</u>	<u>19,894,682</u>

10.10 This includes Rs 2.006 million (2011: Rs 2.274 million) markup free financing to employees advanced under the Group's Human Resource Policy.

10.11 Net investment in Ijarah financing in Pakistan

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	73,354	67,966	-	141,320	71,352	207,138	-	278,490
Residual value	63,230	9,215	-	72,445	115,502	46,851	-	162,353
Minimum Ijarah payments	136,584	77,181	-	213,765	186,854	253,989	-	440,843
Profit for future periods	(15,325)	(17,849)	-	(33,174)	(12,656)	(56,486)	-	(69,142)
Present value of minimum Ijarah payments	121,259	59,332	-	180,591	174,198	197,503	-	371,701

10.12 Net investment in Ijarah financings - IFAS 2

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	514,084	790,405	-	1,304,489	797,620	119,008	-	916,628

10.12.1 Ijarah Assets

	2012							
	Cost			Accumulated depreciation			Book value as at December 31, 2012	Rate of Depreciation %
	As at January 01, 2012	Addition / (deletions)	As at December 31, 2012	As at January 01, 2012	Charge / (deletions)	As at December 31, 2012		
----- (Rupees in '000) -----								
Plant and Machinery	524,386	107,015 (150,765)	480,636	135,764	151,806 (82,518)	205,052	275,584	20-33.33
Vehicles	896,083	709,425 (141,600)	1,463,908	227,440	239,765 (67,509)	399,696	1,064,212	20-33.33
	1,420,469	816,440 (292,365)	1,944,544	363,204	391,571 (150,027)	604,748	1,339,796	

	2011							
	Cost			Accumulated depreciation			Book value as at December 31, 2011	Rate of Depreciation %
	As at January 01, 2011	Addition / (deletions)	As at December 31, 2011	As at January 01, 2011	Charge / (deletions)	As at December 31, 2011		
----- (Rupees in '000) -----								
Plant and Machinery	180,995	343,391	524,386	29,383	106,381	135,764	388,622	20-33.33
Vehicles	582,817	415,195 (101,929)	896,083	87,331	149,560 (9,451)	227,440	668,643	20-33.33
	763,812	758,586 (101,929)	1,420,469	116,714	255,941 (9,451)	363,204	1,057,265	

10.13 Islamic financings and related assets include Rs. 1,205.222 million (2011: Rs. 838.101 million) which have been placed under non-performing status as follows:

Category of Classification	2012								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
-----Rupees in '000-----									
Substandard	89,171	-	89,171	560	-	560	560	-	560
Doubtful	318,084	-	318,084	57,890	-	57,890	57,890	-	57,890
Loss	797,967	-	797,967	408,552	-	408,552	408,552	-	408,552
	<u>1,205,222</u>	<u>-</u>	<u>1,205,222</u>	<u>467,002</u>	<u>-</u>	<u>467,002</u>	<u>467,002</u>	<u>-</u>	<u>467,002</u>

Category of Classification	2011 (Restated)								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
-----Rupees in '000-----									
Substandard	71,810	-	71,810	1,816	-	1,816	1,816	-	1,816
Doubtful	67,648	-	67,648	848	-	848	848	-	848
Loss	698,643	-	698,643	357,859	-	357,859	357,859	-	357,859
	<u>838,101</u>	<u>-</u>	<u>838,101</u>	<u>360,523</u>	<u>-</u>	<u>360,523</u>	<u>360,523</u>	<u>-</u>	<u>360,523</u>

Category of Classification	2010 (Restated)								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
-----Rupees in '000-----									
Substandard	53,570	-	53,570	5,008	-	5,008	5,008	-	5,008
Doubtful	52,521	-	52,521	8,350	-	8,350	8,350	-	8,350
Loss	553,956	-	553,956	283,323	-	283,323	283,323	-	283,323
	<u>660,047</u>	<u>-</u>	<u>660,047</u>	<u>296,681</u>	<u>-</u>	<u>296,681</u>	<u>296,681</u>	<u>-</u>	<u>296,681</u>

10.14 Particulars of provision against non-performing financings:

	2012			2011 (Restated)			2010 (Restated)		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----									
Opening balance	360,523	28,972	389,495	296,681	32,291	328,972	230,928	18,781	249,709
Charge for the year	129,847	4,593	134,440	140,628	-	140,628	69,599	2,049	71,648
Reversals	(23,368)	-	(23,368)	(76,786)	(3,319)	(80,105)	(79,072)	-	(79,072)
	106,479	4,593	111,072	63,842	(3,319)	60,523	(9,473)	2,049	(7,424)
Transferred during the year	-	-	-	-	-	-	75,226	11,461	86,687
Closing balance	<u>467,002</u>	<u>33,565</u>	<u>500,567</u>	<u>360,523</u>	<u>28,972</u>	<u>389,495</u>	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>

10.14.1 The Group has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by SBP and for potential losses on financing.

10.14.2 Particulars of provision against non-performing financings and related assets:

	2012			2011 (Restated)			2010 (Restated)		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----									
In local currency	467,002	33,565	500,567	360,523	28,972	389,495	296,681	32,291	328,972
In foreign currency	-	-	-	-	-	-	-	-	-
	<u>467,002</u>	<u>33,565</u>	<u>500,567</u>	<u>360,523</u>	<u>28,972</u>	<u>389,495</u>	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>

- 10.14.2.1** In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Group has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financing. Had the benefit of FSV not been availed by the Group, the specific provision against non-performing financing and related assets would have been higher and consequently profit before taxation and Islamic financing and related assets (net of provisions) as at December 31, 2012 would have been lower by approximately Rs 23 million (2011: 68 million). The accumulated benefit availed as at December 31, 2012 amounts to Rs 79 million (2011: Rs 231 million). The increase in profit, due to availing of the benefit, is not available for distribution as cash and stock dividend to share holders.
- 10.14.2.2** The non performing Islamic financing and related assets include Rs. 175 million disbursed to Agritech Limited. The required provision as at December 31, 2012 in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan against Agritech Limited amounted to Rs 87.5 million. However, the State Bank of Pakistan vide its letter no. BPRD / BRD - (Policy) / 2013-1857 dated February 15, 2013 has provided relaxation to the Group, whereby the Group is allowed to recognise provision in a phased manner against outstanding exposure and maintain at least 10%, 25%, 50%, 75%, and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013, subject to the condition that the provision already recorded before relaxation shall not be reversed. The Group has already recorded provision amounting to Rs. 43.75 million in respect of outstanding exposure of Agritech Limited as at September 30, 2012. Therefore, the Group has maintained total provision of Rs. 43.75 million in respect of outstanding exposure of Agritech Limited.
- 10.14.3** The non performing financing and related assets include Rs. 100.98 million disbursed to Gulshan Weaving Mills Limited. The required provision as at December 31, 2012 in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan against Gulshan Weaving Mills Limited amounted to Rs. 50.49 million. However, the State Bank of Pakistan vide its letter no. BPRD / BRD - 04 / Faysal / 2013 / 1695 dated February 13, 2013 has provided relaxation to the Group, whereby the Group is allowed to recognise provision in a phased manner against outstanding exposure and maintain at least 25%, 50%, 75%, and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013. Following relaxation provided by the SBP, the Bank has recorded total provision of Rs. 12.497 million in respect of outstanding exposure of Gulshan Weaving Mills Limited.

	Note	2012	2011
		-----Rupees in '000-----	
10.15	Particulars of financings to directors, executives or officers of the Group		
	Financings due by directors, executives or officers of the group or any of them either severally or jointly with any other persons		
	Balance at beginning of year	511,687	400,381
	Financing granted during the year	269,604	202,089
	Repayments	(119,478)	(90,783)
	Balance at end of year	<u>661,813</u>	<u>511,687</u>
11	OPERATING FIXED ASSETS		
	Capital work-in-progress	11.1 53,252	35,360
	Property and equipment	11.2 1,818,957	1,707,873
	Intangible assets	11.3 47,304	73,630
		<u>1,919,513</u>	<u>1,816,863</u>
11.1	Capital work-in-progress		
	Civil works	30,000	30,000
	Equipment	78	1,580
	Advances to suppliers and contractors	23,174	3,780
		<u>53,252</u>	<u>35,360</u>

11.2 Property and equipment

	2012							
	COST			DEPRECIATION			Net book value as at December 31, 2012	Rate of Depreciation %
	As at January 01, 2012	Additions/ (disposals) / adjustments	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012		
-----Rupees in '000-----								
Freehold Land	275,128	-	275,128	-	-	-	275,128	-
		-			-			
		-			-			
Building on lease hold land	882,057	-	876,182	179,619	44,228	222,756	653,426	5
		-			-			
		(5,875)			(1,091)			
Furniture and fixture	778,394	199,171	970,779	269,923	83,294	349,751	621,028	10
		(55)			(20)			
		(6,731)			(3,446)			
Electrical, office and computer equipment	889,583	196,495	1,084,376	673,130	157,576	818,205	266,171	25
		(6,012)			(5,147)			
		4,310			(7,354)			
Vehicles	12,244	830	6,534	6,861	1,876	3,330	3,204	20
		(6,540)			(5,407)			
		-			-			
	2,837,406	396,496	3,212,999	1,129,533	286,974	1,394,042	1,818,957	
		(12,607)			(10,574)			
		(8,296)			(11,891)			

	2011							
	COST			DEPRECIATION			Net book value as at December 31, 2011	Rate of Depreciation %
	As at January 01, 2011	Additions/ (disposals) / adjustments	As at December 31, 2010	As at January 01, 2011	Charge for the year / (disposals) / adjustments	As at December 31, 2011		
-----Rupees in '000-----								
Freehold Land	275,128	-	275,128	-	-	-	275,128	-
		-			-			
		-			-			
Building on lease hold land	869,858	-	882,057	133,503	43,493	179,619	702,438	5
		-			-			
		12,199			2,623			
Furniture and fixture	770,843	14,131	778,394	193,502	76,477	269,923	508,471	10
		(257)			(56)			
		(6,323)			-			
Electrical, office and computer equipment	816,763	68,950	889,583	488,885	185,635	673,130	216,453	25
		(1,825)			(1,390)			
		5,695			-			
Vehicles	51,481	1,946	12,244	25,759	3,246	6,861	5,383	20
		(41,183)			(22,144)			
		-			-			
	2,784,073	85,027	2,837,406	841,649	308,851	1,129,533	1,707,873	
		(43,265)			(23,590)			
		11,571			2,623			

11.2.1 Details of property and equipment disposed-off

The details of property and equipment disposed-off during the year are disclosed in 'Annexure I'

11.3 Intangible asset

2012								
COST			AMORTISATION			Net book value as at December 31, 2012	Rate of amortization %	
As at January 01, 2012	Additions / (disposals) / adjustments	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012			
----- Rupees in '000 -----								
Computer software	170,421	12,539	168,022	96,791	24,048	120,718	47,304	20
		-			-			
		(14,938)			(121)			

2011								
COST			AMORTISATION			Net book value as at December 31, 2011	Rate of amortization %	
As at January 01, 2011	Additions / (disposals) / adjustments	As at December 31, 2011	As at January 01, 2011	Charge for the year / (disposals) / adjustments	As at December 31, 2011			
----- Rupees in '000 -----								
Computer software	148,377	22,044	170,421	67,086	29,705	96,791	73,630	20
		-			-			
		-			-			

11.4 Cost of fully depreciated properties and equipment that are still in the Group's use, as at December 31, 2012, amounted to Rs. 575.775 million (2011: Rs 244.062 million). The cost of fully amortised intangible assets that are still in the Group's use, as at December 31, 2012 amounted to Rs.25.347 million (2011: 16.164 million).

	Note	2012	2011
---- Rupees in '000 ----			
12 DEFERRED TAX ASSETS			
Deferred tax debits arising in respect of:			
Accumulated tax losses	12.1	160,226	402,222
Tax credit against minimum tax paid		146,592	118,562
Provision against non-performing financings and related assets		66	1,753
Ijarah financings and related assets		-	3,433
		306,884	525,970
Deferred tax credits arising due to:			
Ijarah financings and related assets		(27,797)	-
Accelerated tax depreciation		(182,429)	(246,486)
Surplus on revaluation of investment		(9,319)	(91,042)
		(219,545)	(337,528)
		87,339	188,442

12.1 The Bank has an aggregate amount of Rs. 457.789 million (2011: Rs. 1,149.206 million) in respect of tax losses as at December 31, 2012. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 160.226 million (2011: Rs. 402.222 million) on the entire available losses. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Group, deposit composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisibility of the deferred tax asset.

	Note	2012	2011	2010
		Rupees in '000		
			Restated	Restated
13 OTHER ASSETS				
Profit / return accrued in local currency		1,045,715	962,869	645,627
Profit / return accrued in foreign currency		31	-	-
Advances, deposits, advance rent and other prepayments		148,468	104,189	108,133
Advance taxation (payments less provision)		14,606	6,430	6,757
Non-banking assets acquired in satisfaction of claims	13.1	308,410	308,410	308,410
Branch adjustment account		-	-	39,227
Unrealised gain on forward foreign exchange promises		2,888	1,092	7,164
Goodwill		59,232	59,232	59,232
Deferred costs	13.2	-	-	4,086
Banca takaful Income receivable		600	-	-
Insurance claim receivable		15,881	17,399	12,639
Car Ijarah repossession		1,385	2,234	1,473
Other receivables		87,439	57,238	57,613
		<u>1,684,655</u>	<u>1,519,093</u>	<u>1,250,361</u>
Less: Provision held against other assets	13.3	<u>(30,984)</u>	<u>(35,738)</u>	<u>(11,528)</u>
Other assets (net of provisions)		<u>1,653,671</u>	<u>1,483,355</u>	<u>1,238,833</u>

13.1 The market value of Non-Banking assets acquired in satisfaction of claims is Rs 344.934 million (2011: Rs 317.812 million).

	2012	2011	2010
	Rupees in '000		
13.2 Deferred costs			
Opening balance	-	4,086	20,169
Less: Amortised during the year	-	(4,086)	(16,083)
Closing balance	<u>-</u>	<u>-</u>	<u>4,086</u>
13.3 Provision held against other assets			
Opening balance	35,738	11,528	-
Charge for the year	-	24,210	11,528
Reversals	(4,754)	-	-
Closing balance	<u>30,984</u>	<u>35,738</u>	<u>11,528</u>
13.4 Goodwill			
As at January 1	59,232	59,232	59,232
Impairment - charged during the year	-	-	-
Net book value as at December 31	<u>59,232</u>	<u>59,232</u>	<u>59,232</u>

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following Cash Generating Unit (CGU):

- BankIslami Modaraba Investments Limited

The carrying amount of goodwill allocated to the CGU is as follows:

	2012	2011	2010
	Rupees in '000		
- BankIslami Modaraba Investments Limited	<u>59,232</u>	<u>59,232</u>	<u>59,232</u>

Key assumptions used in value in use calculation

The recoverable amount of the business operation of the cash generating unit has been determined based on a value in use calculation, using cash flow projections based on business plan approved by the management covering a five year period.

The calculation of value in use for the business operation is most sensitive to the following assumptions:

- Management fees;
- Income from education division;
- Dividend income;
- Discount rate;

Management fees

Management fees have been assumed at 10 percent, based on prevailing industry trends and anticipated market conditions.

Income from education division

Fee levels are based on expected fees benchmarked against comparable educational institutions.

Dividend income

Dividend income on investment in Modaraba has been projected on the expected returns estimated on the basis of historical performance and prevailing industry trends.

Discount rate

Discount rate reflects management estimates of the required rate of return for the business and are calculated using the capital asset pricing model. Discount rates are calculated by using the weighted average cost of capital of the company.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the entity will not result in an impairment of goodwill.

	Note	2012	2011
----- Rupees in '000 -----			
14	BILLS PAYABLE		
	In Pakistan	1,251,010	798,853
	Outside Pakistan	-	-
		<u>1,251,010</u>	<u>798,853</u>
15	DUE TO FINANCIAL INSTITUTIONS		
	In Pakistan	1,621,415	800,000
	Outside Pakistan	-	-
		<u>1,621,415</u>	<u>800,000</u>
15.1	Details of due to financial institutions secured / unsecured		
	Secured		
	Borrowings from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1 621,415	800,000
	Unsecured		
	Call borrowings	15.1.2 <u>1,000,000</u>	<u>-</u>
		<u>1,621,415</u>	<u>800,000</u>
15.1.1	Represents Musharaka contributions by the State Bank of Pakistan against Islamic Export Refinance Scheme. These carry expected profit rate ranging from 8.5% per annum (2011: 10% per annum) and are secured against collateral.		
15.1.2	Represents Wakala acceptance by the Bank Alfalah Limited (Islamic Banking Branches). This carries profit rate of 8.95% per annum (2011: Nil).		
15.2	Particulars of due to financial institutions with respect to currencies	Note	2012 2011
----- Rupees in '000 -----			
	In local currency	1,621,415	800,000
	In foreign currencies	-	-
		<u>1,621,415</u>	<u>800,000</u>

16 DEPOSITS AND OTHER ACCOUNTS	Note	2012	2011
		----- Rupees in '000 -----	
Customers			
Fixed deposits		30,084,658	24,442,027
Savings deposits		21,086,687	14,256,139
Current accounts - non-remunerative		11,293,914	10,101,628
Margin accounts - non-remunerative		146,307	97,270
		<u>62,611,566</u>	<u>48,897,064</u>
Financial Institutions			
Remunerative deposits		1,494,163	1,524,716
Non-remunerative deposits		4,887	46,894
		<u>64,110,616</u>	<u>50,468,674</u>
16.1 Particulars of deposits			
In local currency		62,870,805	49,824,287
In foreign currencies		1,239,811	644,387
		<u>64,110,616</u>	<u>50,468,674</u>
17 OTHER LIABILITIES			
Profit / return payable in local currency		573,006	517,962
Profit / return payable in foreign currencies		409	29
Unearned fees and commission		2,325	1,180
Accrued expenses		142,899	118,861
Deferred Murabaha Income - Financing and IERS	10.8.1	116,877	125,122
Deferred Murabaha Income - Commodity Murabaha	8.3	33,145	7,399
Payable to defined benefit plan	32	2,254	241
Payable to defined contribution plan		723	879
Unearned rent		1,032	1,209
Security deposits against Ijarah		484,677	434,375
Branch adjustment account		3,151	1,517
Sundry creditors		109,220	34,432
Charity payable	17.1	10,197	5,747
Retention money		22,278	7,233
Withholding tax payable		1,228	2,666
WWF payable		26,447	13,934
Others		46,623	69,447
		<u>1,576,491</u>	<u>1,342,233</u>
17.1 Opening balance			
Opening balance		5,747	9,441
Additions during the year		12,635	4,806
Payments during the year	17.1.1	<u>(8,185)</u>	<u>(8,500)</u>
Closing balance		<u>10,197</u>	<u>5,747</u>
17.1.1 Charity in excess of Rs 100,000 was paid to the following:			
Alamgir Welfare Trust International		1,000	1,000
The Citizen Foundation		1,000	2,000
The Indus Hospital		1,000	2,000
The Memon Medical		-	1,000
Akhuwat Charity		1,000	1,000
Jamiat Taleem Ul Quran		1,000	1,000
Mrs Saba Zulfiqar		-	500
Shoukat Khanum Memorial		1,000	-
Kharadar General Hospital		1,000	-
Bait Ul Sukoon		1,000	-
100 Dining Chairs to Juvenile Prisoners		185	-
		<u>8,185</u>	<u>8,500</u>
17.1.2 Charity was not paid to any staff of the Group or to any individual / organisation in which a director or his spouse had any interest at any time during the year.			

18 SHARE CAPITAL

18.1 Authorised capital

2012	2011		2012	2011
----- Number of Shares -----			----- Rupees in '000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

18.2 Issued, subscribed and paid up capital

2012	2011		2012	2011
----- Number of Shares -----			----- Rupees in '000 -----	
		Ordinary shares of Rs. 10 each		
<u>527,967,898</u>	<u>527,967,898</u>	Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>
<u>527,967,898</u>	<u>527,967,898</u>		<u>5,279,679</u>	<u>5,279,679</u>

18.3 The State Bank of Pakistan through its BSD Circular No. 7 dated April 2009 had revised the Minimum Capital Requirement (MCR) for banks. As per the circular the Holding Company was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs. 9 billion by December 31, 2012 and is required to raise it to Rs. 10 billion by December 31, 2013. The paid-up capital (free of losses) of the Holding Company amounted to Rs. 5.280 billion at December 31, 2012. As more fully explained in note 1.2 to these consolidated financial statements the SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Holding Company in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. The SBP vide its letter No. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting paid up capital (free of losses) of Rs 6 billion by March 31, 2013. Moreover, the Holding Company has been advised by SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

19	RESERVES	Note	2012	2011
			----- Rupees in '000 -----	
	Statutory Reserves	19.1	<u>173,392</u>	<u>91,221</u>

19.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit of the Holding Company is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital of the Holding Company. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

20	SURPLUS ON REVALUATION OF ASSETS	2012	2011
		----- Rupees in '000 -----	

20.1 Surplus on revaluation of available for sale securities

Federal Government Securities			
-	Ijarah Sukuk Bonds	23,955	256,135
Sukuk certificates			
-	Sukuks unlisted	2,670	3,978
Fully paid up ordinary shares / Units			
-	Modaraba Certificates	1,452	-
-	Units of Open end Mutual Funds	730	4
-	Units of Closed end Mutual Funds	5	3
		<u>28,812</u>	<u>260,120</u>
	Related deferred tax liability	<u>(9,319)</u>	<u>(91,042)</u>
		<u>19,493</u>	<u>169,078</u>

20.2 Surplus on revaluation of available for sale securities - net of tax

	Opening balance	169,078	32,382
	Reversals during the year	156,024	-
	Closing balance	19,493	169,078
	Net Surplus arising during the year	<u>6,439</u>	<u>136,696</u>

21 CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring			
-	Government	127,797	141,040
-	Others	1,511,868	1,180,105
		<u>1,639,665</u>	<u>1,321,145</u>

	2012	2011
	----- Rupees in '000 -----	
21.2 Trade-related contingent liabilities		
Import letter of Credit	4,114,677	1,725,823
Acceptances	562,913	235,229
	<u>4,677,590</u>	<u>1,961,052</u>
21.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Group has not acknowledged as debt	<u>865,591</u>	<u>861,907</u>
21.3.1 These mainly represents counter claims filed by the borrowers for restricting the Group for disposal of assets (such as mortgaged / pledged assets kept as security), cases where Group was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
21.4 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the group vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69,431,000 was raised against the Group mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.		
	2012	2011
	----- Rupees in '000 -----	
21.5 Commitments in respect of promises		
Purchases	<u>459,197</u>	<u>93,574</u>
Sales	<u>209,861</u>	<u>127,607</u>
21.6 Commitments for the acquisition of operating fixed assets	<u>128,883</u>	<u>4,779</u>
21.7 Commitments in respect of financing facilities		
The Group makes commitments to extend financing 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.		
	Note	
	2012	2011
	----- Rupees in '000 -----	
21.8 Other commitments		
Bills for collection	<u>276,575</u>	<u>244,596</u>
22 PROFIT / RETURN EARNED		
On financings to:		
- Customers	2,637,950	2,546,663
- Financial institutions	626,681	738,027
	<u>3,264,631</u>	<u>3,284,690</u>
On investments in available for sale securities	2,666,451	2,192,694
On deposits / placements with financial institutions	21,307	9,051
Others	24,479	18,304
	<u>5,976,868</u>	<u>5,504,739</u>
23 PROFIT / RETURN EXPENSED		
Deposits	3,385,961	2,801,431
Other short term fund generation	64,495	55,851
Others	46,987	15,837
	<u>3,497,443</u>	<u>2,873,119</u>
24 OTHER INCOME		
Rent on property	6,546	8,268
Gain on termination of Ijarah financing	19,270	10,485
Gain on sale of property and equipment	4,680	12,787
Amount recovered from staff	1,374	3,040
Reversal of SBP penalty	-	4,699
	<u>31,870</u>	<u>39,279</u>

	Note	2012	2011
		----- Rupees in '000 -----	
25 GAIN / LOSS ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates		205,700	-
Unlisted Securities:			
Mutual funds		13,934	-
Listed Securities:			
Shares		258	-
		<u>219,892</u>	<u>-</u>
26 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	26.3	918,170	790,933
Charge for defined benefit plan	32	24,621	25,944
Contribution to defined contribution plan	33	28,913	26,566
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car ijarah		35,106	31,334
Rent, taxes, insurance, electricity, etc.		424,320	313,048
Legal and professional charges		9,892	10,492
Communications		83,284	83,419
Repairs and maintenance		84,663	150,578
Stationery and printing		24,072	25,476
Advertisement and publicity		60,272	67,203
Auditors' remuneration	26.1	4,404	3,917
Depreciation	11.2	275,083	311,474
Amortisation	26.2	23,927	33,791
CDC and share registrar services		4,136	3,903
Entertainment expense		21,233	19,188
Security service charges		77,884	66,574
Brokerage and commission		6,159	5,577
Traveling and conveyance		18,980	15,923
Remuneration to Shariah Board		250	250
Fees and subscription		78,103	80,322
Vehicle running and maintenance		32,930	25,409
Others		38,223	51,760
		<u>2,276,175</u>	<u>2,144,631</u>
26.1 Auditors' remuneration			
Audit fee		1,900	1,850
Fee for the review of half yearly financial statements		700	650
Special certifications and sundry advisory services		971	900
Tax services		-	-
Out-of-pocket expenses		833	517
		<u>4,404</u>	<u>3,917</u>
26.2 Amortisation			
Intangible assets	11.3	23,927	29,705
Deferred cost	13.2	-	4,086
		<u>23,927</u>	<u>33,791</u>
26.3			
During the year, the Group has paid Long Service Award (LSA) to eligible employees. Only those employees were eligible for LSA who fulfilled time based condition. The amount under LSA relating to Key Management Personnel of the Group amounted to Rs. 10.110 million (2011: Rs. 19.292 million).			
27 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		342	412
Worker's Welfare Fund		12,627	12,795
		<u>12,969</u>	<u>13,207</u>

28 TAXATION	2012	2011
	----- Rupees in '000 -----	
For the year		
- Current	34,436	59,816
- Prior	-	1,340
- Deferred	182,826	147,436
	<u>217,262</u>	<u>208,592</u>

The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these consolidated financial statements due to available tax losses brought forward from prior years. The provision for current year income tax has been made under section 113 of the Income Tax Ordinance 2001 (minimum tax on turnover).

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the return of income for the tax years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 on due dates. The said returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

29 BASIC AND DILUTED EARNINGS PER SHARE	Note	2012	2011
		----- Rupees in '000 -----	
Profit after taxation for the year		<u>415,659</u>	<u>405,914</u>
		----- Number of shares -----	
Weighted average number of ordinary shares in issue		<u>527,967,898</u>	<u>527,967,898</u>
		----- Rupees -----	
Earning per share - basic / diluted	29.1	<u>0.7873</u>	<u>0.7688</u>

29.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2012 and December 31, 2011

30 CASH AND CASH EQUIVALENTS	Note	2012	2011
		----- Rupees in '000 -----	
Cash and balances with treasury banks	6	4,938,712	4,684,831
Balances with other banks	7	806,282	549,411
		<u>5,744,994</u>	<u>5,234,242</u>

31 STAFF STRENGTH	2012	2011
	----- Number of employees -----	
Permanent	1,126	1,116
Contractual basis	288	336
Bank's own staff strength at the end of the year	<u>1,414</u>	<u>1,452</u>
Outsourced	238	218
Total staff strength	<u>1,652</u>	<u>1,670</u>

32 DEFINED BENEFIT PLAN

32.1 General description

The Group has a gratuity fund for its employees (members of the fund).The fund entitles the members to lumpsum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits starting from three years of service.

The number of employees covered under the following defined fund scheme are 1,122 (2011: 1,112). The present value of obligation under the scheme at the Statement of Financial Position date were as follows:

32.2 Reconciliation of payable to defined benefit plan	Note	2012	2011
		----- (Rupees in '000) -----	
Present value of defined benefit obligations	32.6	87,240	63,884
Fair value of plan assets	32.4	(107,104)	(82,426)
Net actuarial gains not recognised	32.8	22,118	18,783
Liability recognised in the statement of financial position		<u>2,254</u>	<u>241</u>

	2012	2011
	------(Rupees in '000)-----	
32.3 Amount charged to the consolidated profit and loss account		
Current service cost	22,461	19,117
Finance cost	7,684	7,012
Expected return on plan assets	(4,566)	-
Actuarial losses recognised	(958)	(185)
	<u>24,621</u>	<u>25,944</u>
32.4 Movement in fair value of plan assets		
Opening balance	82,426	-
Contributions	22,608	83,726
Expected return on plan assets	4,566	-
Benefits paid	(4,826)	(1,300)
Actuarial gain / (loss) on assets	2,330	-
Closing balance	<u>107,104</u>	<u>82,426</u>
32.5 Movement in the liability recognised in the consolidated statement of financial position		
Opening balance	241	58,023
Expense for the year	24,621	25,944
Benefits paid	-	-
Contributions during the year	(22,608)	(83,726)
Closing balance	<u>2,254</u>	<u>241</u>
32.6 Movement in present value of defined benefit obligation		
Opening balance	63,884	50,735
Current service cost	22,461	19,117
Finance cost	7,684	7,012
Benefits paid	(4,826)	(1,300)
Actuarial gain	(1,963)	(11,680)
Closing balance	<u>87,240</u>	<u>63,884</u>
32.7 Actuarial loss to be recognised		
Corridor limit		
The limits of the corridor at the beginning of the year		
10% of obligations	6,388	5,074
10% of plan assets	8,243	-
Which works out to	<u>8,243</u>	<u>5,074</u>
Unrecognised actuarial gains at the beginning of the year	18,783	7,288
Limit of corridor as at 1 January 2012	8,243	5,074
Excess	<u>10,540</u>	<u>2,214</u>
Average expected remaining working lives in years	11	12
Actuarial loss to be recognised	<u>958</u>	<u>185</u>
32.8 Unrecognised actuarial gain		
Unrecognised actuarial gains / (losses) at the beginning of the year	18,783	7,288
Actuarial gains on obligation	1,963	11,680
Actuarial gains on Plan assets	2,330	-
Subtotal	<u>23,076</u>	<u>18,968</u>
Actuarial gain recognised	(958)	(185)
Unrecognised actuarial gains at the end of the year	<u>22,118</u>	<u>18,783</u>
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	11%	12%
Valuation discount rate	11.5%	12.5%
Expected return on plan assets	8%	5%

32.9 Historical information

	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
As at December 31					
Present value of defined benefit obligation	87,240	63,884	50,735	34,755	19,092
Fair value of plan assets	-	-	-	-	-
Deficit	87,240	63,884	50,735	34,755	19,092
Experience adjustments on plan liabilities	(1,962)	(11,680)	(4,632)	(2,928)	(357)

33 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of basic salary to the funded scheme every month. Equal monthly contributions by employer and employees during the year amounted to Rs.28.913 million (2011: Rs. 26.566 million) each.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- Rupees in '000 -----					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration*	11,835	14,183	-	-	102,144	94,279
Bonus	1,309	-	-	-	13,860	-
Charge for defined benefit plan	1,184	1,181	-	-	6,568	8,500
Salary in lieu of provident fund*	1,184	1,418	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	9,369	8,894
Rent and house maintenance*	327	391	-	-	37,173	29,691
Utilities*	1,184	1,418	-	-	10,214	9,428
Medical*	1,184	1,418	-	-	10,214	9,428
Increment allowance	-	-	-	-	-	36,535
Others	-	-	-	-	38,780	1,633
	18,207	20,009	1,550	1,550	228,322	198,388
Number of persons	1	1	4	4	114	106

* Included in this amount are arrears amounting to Rs. Nil (2011: 3.571)

34.1 The remuneration and other benefits paid to the Chief Executive Officer of the subsidiary company amounted to Rs. 3.381 million (2011: Rs. 3.019 million).

34.2 The Group's President / Chief Executive is provided with free use of Group's maintained car in accordance with the Group's service rules.

In addition to the above all eligible Executives, including the Chief Executive Officer of the Group are also entitled to certain short term employee benefits which are disclosed in note 26.3 to these consolidated financial statements.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with accounting policy as stated in note 5.2.5 to these consolidated financial statements.

The fair values of Islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against Islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.3 to these consolidated financial statements. The repricing, maturity profile and effective rates are stated in note 39 to these consolidated financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and in case of financings and deposits these are frequently repriced.

35.1 Off-balance sheet financial instruments

	2012		2011	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
Forward purchase of foreign currencies	458,654	459,197	93,579	93,574
Forward sale of foreign currencies	212,206	209,861	127,887	127,607

36 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Modaraba Management	Total
-----Rupees in '000-----						
2012						
Total income	685,777	3,771,073	2,002,290	50,090	1,596	6,510,826
Total expenses	53,193	3,318,335	1,609,786	892,896	3,695	5,877,905
Net income / (loss)	632,584	452,738	392,504	(842,806)	(2,099)	632,921
Segment Assets (Gross)	41,268,569	4,992,045	26,216,312	2,142,821	64,467	74,684,214
Segment non - performing Assets	74,790	405,223	817,610	-	-	1,297,623
Segment Provision required	33,656	186,718	331,461	-	-	551,835
Segment Liabilities	1,048,876	42,091,976	25,234,017	183,390	1,273	68,559,532
Segment Return on Assets (ROA) (%)	1.53%	9.07%	1.50%	-	-	-
Segment Cost of funds (%)	10.14%	6.54%	7.69%	-	-	-

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Modaraba Management	Total
-----Rupees in '000-----						
2011						
Total income	571,690	3,355,588	1,757,459	44,126	2,528	5,731,391
Total expenses	46,669	2,850,309	1,328,810	884,578	6,519	5,116,885
Net income (loss)	525,021	505,279	428,649	(840,452)	(3,991)	614,506
Segment Assets (Gross)	31,232,461	7,122,751	18,773,042	1,985,460	49,469	59,163,183
Segment non - performing Assets	74,790	324,241	536,213	12	-	935,256
Segment Provision required	34,790	183,849	227,999	12	-	446,650
Segment Liabilities	618,920	34,873,291	17,859,574	56,713	1,262	53,409,760
Segment Return on Assets (ROA) (%)	1.68%	7.09%	2.28%	-	-	-
Segment Cost of funds (%)	12.76%	6.81%	8.33%	-	-	-

37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

The related parties of the Group comprise related group companies, principal shareholders, key management personnel, companies where directors of the Group also hold directorship, directors and their close family members and staff retirement funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposits transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 34 are as follows:

	2012	2011
	----- Rupees '000 -----	
<u>Associates</u>		
Financings and related assets		
At beginning of the year	56,716	167,663
Disbursements	32,400	66,122
Repayments	(27,805)	(11,943)
At the end of the year	<u>61,311</u>	<u>221,842</u>
Deposits		
At beginning of the year	127,794	131,268
Deposits during the year	618,268	595,662
Withdrawals during the year	(658,771)	(599,136)
At the end of the year	<u>87,291</u>	<u>127,794</u>
Transactions, income and expenses		
Return on deposits expensed	4,437	5,989
Administrative expense	67,848	49,468
Advance against financing	-	4,215
Sale of investment	-	248,148
<u>Key management personnel</u>		
Financings and related assets		
At beginning of the year	76,944	61,167
Disbursements	29,020	21,149
Repaid during the year	(5,718)	(4,232)
At the end of the year	<u>100,246</u>	<u>78,084</u>
Deposits		
At beginning of the year	4,525	16,563
Deposits	71,975	94,531
Withdrawals during the year	(71,442)	(106,529)
At the end of the year	<u>5,058</u>	<u>4,565</u>
Transactions, income and expenses		
Profit earned on financing	3,134	2,769
Return on deposits expensed	295	364
Remuneration	51,120	58,929
Disposal of vehicle	294	2,115
<u>Employee benefit plans</u>		
Contribution to Employees Gratuity Fund	<u>24,621</u>	<u>25,944</u>
Contribution to Employees Provident Fund	<u>28,913</u>	<u>26,566</u>

Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the opening balance of the current year.

38 CAPITAL ASSESSMENT AND ADEQUACY

38.1 Capital management

Capital Management aims to safeguard the Group's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For that the Group ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Group maintains 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 recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

This process is managed by the Asset Liability Committee (ALCO) of the Group. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movement, liquidity constraints and capital adequacy and its implication on risk management policies.

38.2 Goals of managing capital

The goals of managing capital of the Group are as follows: The objectives for a sound capital management are: 1) to ensure that the Holding Company complies with the regulatory Minimum Capital Requirement (MCR) 2) maintain a strong credit rating 3) maintain healthy capital ratios to support business and to maximize shareholder value and 4) to operate with a Revolving Planning Horizon and be able to take advantage of new investment opportunities when they appear.

38.3 Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 7 dated April 2009 had revised the Minimum Capital Requirement (MCR) for banks. As per the circular the Holding Company was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs. 9 billion by December 31, 2012 and is required to raise it to Rs. 10 billion by December 31, 2013. The paid-up capital (free of losses) of the Holding Company amounted to Rs. 5.280 billion at December 31, 2012. As more fully explained in note 1.2 to these consolidated financial statements the SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Holding Company in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011. The SBP vide its letter No. BPRD/CSD/2407/13 dated March 1, 2013 has further extended the timeline for meeting paid up capital (free of losses) of Rs 6 billion by March 31, 2013. Moreover, the Holding Company has been advised by SBP to submit concrete time bound capital plan by March 31, 2013 to comply with the future and prevailing regulatory capital requirements.

38.4 Capital Structure

The Group's Regulatory Capital has been analysed into three tiers i.e.:

- Tier 1 capital, which includes fully paid up capital, general reserves as per the consolidated financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies being commercial entities and book value of goodwill and intangibles.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies being commercial entities.
- Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Group is not eligible for the Tier 3 capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The total risk weighted exposures comprise the credit risk, market risk and operational risk.

38.5 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy using Basel II Standardised approach for credit and market risk and basic indicator approach for operational risk is presented below:

	2012		2011	
	----- Rupees in '000 -----			
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital	5,279,679		5,279,679	
Reserves as disclosed on the Statement of Financial Position	173,392		91,221	
Unappropriated profit / (accumulated losses)	100,283		(233,205)	
	5,553,354		5,137,695	
Other deductions:				
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	(37,991)		-	
Book value of goodwill and intangibles	(106,536)		(132,862)	
Total Tier I Capital	<u>5,408,827</u>		<u>5,004,833</u>	
Tier II Capital				
General provisions for loan losses-up to maximum of 1.25% of Risk Weighted Assets	33,565		28,972	
Revaluation Reserves up to 45%	12,965		117,054	
Total Tier II Capital	<u>46,530</u>		<u>146,026</u>	
Eligible Tier III Capital	-		-	
Total Regulatory Capital Base	(a) <u>5,455,357</u>		<u>5,150,859</u>	
Risk-weighted exposures	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
	----- Rupees in '000 -----			
Credit risk				
Portfolios subject to standardized approach (Simple Approach for CRM)				
Corporate Portfolio	1,644,513	1,144,451	16,445,128	11,444,506
Retail non mortgages	44,158	22,280	441,582	222,795
Mortgages – residential	68,862	64,118	688,615	641,176
Past due Islamic financing and related assets	93,765	56,383	937,651	563,828
Claims on Banks	195,732	162,268	1,957,321	1,622,684
Fixed assets	187,221	174,323	1,872,209	1,743,233
Others	206,198	616,918	2,061,979	6,169,181
	<u>2,440,449</u>	<u>2,240,741</u>	<u>24,404,485</u>	<u>22,407,403</u>
Portfolios subject to off balance sheet exposure –non market/market related	163,382	81,911	1,633,824	819,106
Market risk				
Capital requirement for portfolios subject to standardized approach				
Foreign Exchange risk	16,539	6,143	165,388	61,429
Interest Rate Risk	221,246	218,266	2,212,463	2,182,660
Equity Risk	192,910	474	1,929,100	4,740
Operational risk				
Capital Requirement for operational risks subject to Basic Indicator Approach	476,215	383,321	4,762,150	3,833,213
Total	(b) <u>3,510,471</u>	<u>2,930,856</u>	<u>35,107,410</u>	<u>29,308,551</u>
Capital adequacy ratio	----- Rupees in '000 -----			
Total eligible regulatory capital held	(a) <u>5,455,357</u>	<u>5,150,859</u>		
Total risk weighted assets	(b) <u>35,107,410</u>	<u>29,308,551</u>		
Capital adequacy ratio	[(a / b) x 100]	<u>15.54%</u>	<u>17.57%</u>	

38.6 In accordance with the Revised Regulatory Capital Framework under Basel II issued by the SBP, the Holding Company is required to deduct from Tier I Capital any shortfall in provisions required against classified assets irrespective of any relaxation allowed by the SBP. However, the Group has not made deductions on account of shortfall in provision against outstanding facilities extended to Agritech Limited based on the relaxation provided by the SBP vide its letter BPRD/BRD-(Policy) / 2013-1857 dated February 15, 2013.

38.7 As more fully explained in note 10.14.2.3 to these consolidated financial statements, the SBP has given a relaxation to the Group in maintaining provision against outstanding facilities extended to Gulshan Weaving Mills Limited. In accordance with Revised Capital Framework under Basel II issued by the SBP, the Holding Company is required to deduct from Tier-I Capital any shortfall in provision required against classified assets irrespective of any relaxation allowed by the SBP. Accordingly an amount of Rs 37.991 million has been deducted from Group's Tier-I Capital.

39 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Group follows effective risk governance which commensurate well with its current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. The Group adheres to the regulatory requirement in this respect, and conducts its business accordingly.

As a prelude to countering the financial debacle of the recent past, the Basel Committee (Internationally) is raising the resilience of the banking sector by strengthening the regulatory capital framework, essentially building on the three pillars of the Basel II structure. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. The SBP (State Bank of Pakistan) while being cognizant of the various reforms in the offing, is reviewing the impact of Basel III (B3) guidelines on the capital structure and CAR (Capital Adequacy Ratio) through quantitative impact studies.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Group's Risk Management Framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Group;
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Group.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates' for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes:

- Business line acquisition, strong adherence to the credit and other related criteria.
- Middle Office monitoring function for a sound risk assessment of various risks inherent in treasury operations.
- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the Group

The risk appetite of the Group is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Group believes in a cautious yet steady approach towards its business objectives and takes a holistic view of its investment and financing requirement.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various portfolios.

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Group's risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the group's leadership.

The risk management function at the Group, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee), RMC (Risk Management Committee of the Board) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate / manage risk in line with the Groups objectives.

Business line accountability

One of the most important features of the risk management process is the business line accountability. Business has to understand the risk implication of specific transaction on the business / portfolio. Some specific risks e.g. reputation risk affects the entire banking business and is not limited to one business line or the other. As in any other reputable organization, responsibility comes with accountability. Each business segment is responsible for the profit / loss of the business. The management of risk is as much a line function as it is supports'.

Business lines are equally responsible for the risks they are taking. Because line personnel understand the risks of the business. Lack of an understanding of this by the line management may lead to risk management in isolation.

39.1 Credit Risk

The Group manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. Credit Risk has certain sub-categories as follows:

i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Group has already met its commitments.

iv) Country risk

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk.

39.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets, Deposits, Contingencies and Commitments.

39.1.1.1 Segments by class of business

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments *	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	2,940,918	10.53%	2,582,327	4.03%	-	0.00%
Mining and Quarrying	-	0.00%	965,582	1.51%	-	0.00%
Textile	2,744,131	9.82%	639,328	1.00%	2,458,140	29.52%
Chemical and Pharmaceuticals	1,121,528	4.01%	2,019,965	3.15%	248,467	2.98%
Cement	947,820	3.39%	364,536	0.57%	46,585	0.56%
Sugar	3,704,999	13.26%	1,726,188	2.69%	1,225	0.01%
Footwear and Leather garments	57,763	0.21%	52,340	0.08%	6,435	0.08%
Automobile and transportation equipment	309,747	1.11%	245,026	0.38%	1,575,781	18.92%
Education	3,135	0.01%	217,067	0.34%	-	0.00%
Electronics and electrical appliances	144,799	0.52%	111,805	0.17%	1,118,743	13.44%
Production and transmission of energy	900,000	3.22%	432,950	0.68%	-	0.00%
Construction	1,131,950	4.05%	551,674	0.86%	421,718	5.06%
Power (electricity), Gas, Water, Sanitary	2,977,218	10.66%	27,950	0.04%	543,223	6.52%
Wholesale and Retail Trade	685,198	2.45%	16,832,888	26.26%	162,596	1.95%
Exports/Imports	7,046	0.03%	97,632	0.15%	226,168	2.72%
Transport, Storage and Communication	30,395	0.11%	355,230	0.55%	-	0.00%
Financial	2,161,969	7.74%	1,393,181	2.17%	325,713	3.91%
Insurance	25,059	0.09%	48,695	0.08%	-	0.00%
Services	451,037	1.61%	1,810,889	2.82%	152,318	1.83%
Individuals	3,365,302	12.05%	25,358,043	39.55%	68,756	0.83%
Food and beverages	2,151,123	7.70%	1,442,129	2.25%	79,344	0.95%
Private Trust & NGO	4,639	0.02%	1,296,276	2.02%	69,403	0.83%
Packing and Paper products	440,088	1.58%	10,522	0.02%	18,795	0.23%
Others*	1,627,965	5.83%	5,528,393	8.62%	803,383	9.65%
	27,933,829	100.00%	64,110,616	100.00%	8,326,793	100.00%

* Others include Sole Proprietors, fund accounts and Govt deposits etc.

	2011					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	2,894,273	11.55%	2,378,083	4.71%	39,283	0.85%
Mining and Quarrying	-	0.00%	677,889	1.34%	-	0.00%
Textile	3,340,588	13.33%	561,080	1.11%	1,572,926	34.09%
Chemical and Pharmaceuticals	375,086	1.50%	571,377	1.13%	90,928	1.97%
Cement	1,095,733	4.37%	271,959	0.54%	15,035	0.33%
Sugar	2,783,542	11.11%	1,605,441	3.18%	16	0.00%
Footwear and Leather garments	55,148	0.22%	67,304	0.13%	27,795	0.60%
Automobile and transportation equipment	130,682	0.52%	242,384	0.48%	274,646	5.95%
Education	5,135	0.02%	234,430	0.46%	-	0.00%
Electronics and electrical appliances	373,436	1.49%	203,315	0.40%	341,872	7.41%
Production and transmission of energy	900,000	3.59%	15,625	0.03%	-	0.00%
Construction	1,732,489	6.91%	1,348,100	2.67%	136,318	2.95%
Power (electricity), Gas, Water, Sanitary	2,966,520	11.84%	12,363	0.02%	500,508	10.85%
Wholesale and Retail Trade	547,505	2.19%	13,998,455	27.74%	150,000	3.25%
Exports/Imports	-	0.00%	81,118	0.16%	86,837	1.88%
Transport, Storage and Communication	293,304	1.17%	404,083	0.80%	-	0.00%
Financial	1,859,916	7.42%	1,471,499	2.92%	139,274	3.02%
Insurance	11,933	0.05%	69,789	0.14%	-	0.00%
Services	203,292	0.81%	1,446,768	2.87%	25,323	0.55%
Individuals	3,082,518	12.30%	20,306,491	40.24%	54,916	1.19%
Food and Beverages	1,176,177	4.69%	727,220	1.44%	-	0.00%
Private Trust & NGO	6,549	0.03%	969,211	1.92%	-	0.00%
Packing and Paper products	706,716	2.82%	212,706	0.42%	-	0.00%
Others*	514,412	2.05%	2,591,984	5.14%	1,158,983	25.12%
	25,054,954	100.00%	50,468,674	100.00%	4,614,660	100.00%

* Others include Sole Proprietors, fund accounts and Govt deposits etc.

39.1.1.2 Segment by sector

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,508,211	9%	3,087,965	5%	1,455,572	17%
Private	25,425,618	91%	61,022,651	95%	6,871,221	83%
	27,933,829	100%	64,110,616	100%	8,326,793	100%

	2011					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,990,619	8%	1,218,171	2%	689,950	15%
Private	23,064,335	92%	49,250,503	98%	3,924,710	85%
	25,054,954	100%	50,468,674	100%	4,614,660	100%

39.1.1.3 Details of non-performing Islamic financing and related assets and specific provisions by class of business segment:

	2012		2011	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	----- Rupees In '000 -----			
Wholesale and Retail trade	22,598	10,217	22,598	2,299
Agriculture, Forestry, Hunting and Fishing	175,000	43,750	-	-
Textile	261,767	148,848	161,791	123,753
Chemical and Pharmaceuticals	13,773	200	295	-
Power (electricity), Gas, Water, Sanitary	703	73	5,274	70
Cement	23,250	17,586	23,750	11,006
Automobile & Transportation equipment	-	-	5,333	-
Construction	125,980	63,980	70,997	57,105
Services	1,139	800	2,703	586
Financial	1,757	581	-	-
Paper Product*	98,554	10,796	137,096	9,068
Transport, Storage and Communication	2,391	1,838	14,313	2,363
Individuals	459,971	160,326	374,950	150,750
Others	18,339	8,007	19,001	3,523
	1,205,222	467,002	838,101	360,523

* Provision has been made under subjective evaluation

39.1.1.4 Details of non-performing Islamic financings related assets and specific provisions by sector:

	2012		2011	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	----- Rupees In '000 -----			
Public / Government	-	-	-	-
Private	1,205,222	467,002	838,101	360,523
	1,205,222	467,002	838,101	360,523

39.1.1.5 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
	----- Rupees In '000 -----			
Pakistan	632,921	74,132,379	5,572,847	8,326,793

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
	----- Rupees In '000 -----			
Pakistan	614,506	58,716,533	5,306,773	4,614,660

39.1.2 Credit risk - Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The Group has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Group carries a strong desire to move towards the FIRB and Advanced approach.

39.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The Group has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support the Group in internally rating the credit clients.

Types of Exposures and ECAI's used

Exposures	2012			2011		
	JCR - VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	Rating Category	2012			2011		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
----- Rupees in '000 -----							
Corporate	0%	-	-	-	-	-	-
	20%	3,820,473	-	3,820,473	3,423,412	-	3,423,412
	50%	3,398,737	28,299	3,370,438	1,239,277	154,832	1,084,445
	100%	-	-	-	211,259	-	211,259
	150%	2,488	61	2,427	320,500	-	320,500
Unrated	14,123,206	131,033	13,992,173	9,637,174	111,582	9,525,592	
		21,344,904	159,393	21,185,511	14,831,622	266,414	14,565,208
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	895,123	306,347	588,776	609,867	312,807	297,060
		895,123	306,347	588,776	609,867	312,807	297,060
Total		22,240,027	465,740	21,774,287	15,441,489	579,221	14,862,268

CRM = Credit Risk Mitigation

39.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches- Basel II Specific.

The Group obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit risk mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits and cash margins.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by the SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market conditions.

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs.21,344.904 million (2011: Rs. 14,831.622 million) is subject to the CRM of Rs. 159.393 million (2011: Rs. 266.414 million) whereas a claim on retail portfolio of Rs.895.123 million (2011: Rs. 609.867 million) is subject to CRM of Rs 306.347 million (2011: Rs. 312.807 million). The total benefit of Rs.465.74 million (2011: Rs. 579.221 million) was availed through CRM against total on-balance sheet exposure of Rs.22,240.027 million (2011: Rs. 15,441.489 million).

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 3,847.136 million (2011: Rs. 301.039 million) is subject to the CRM of Rs.140.840 million (2011: Rs. 7.023 million). Hence total benefit of Rs 140.840 million (2011: Rs. 7.023 million) was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs.3,847.136 million (2011: Rs. 301.039 million).

During the year, total amount of cash collateral used for CRM purposes was Rs.606.580 million as against amount of Rs 586.244 million in year 2011. The difference in the value of cash collateral is due to the changes in the exposure amounts and resultant amount of cash collateral obtained.

39.2 Equity Position Risk in the Banking book –Basel II Specific

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the consolidated profit and loss account.

39.3 Yield / Profit Rate Risk in the banking book – Basel II specific

It includes all material yield risk positions of the Group taking into account all repricing and maturity data. It includes current balances and contractual yield rates, the Group understands that its Islamic financing and related assets shall be repriced as per their respective contracts.

The Group estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.

39.4 Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Group uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis. These assessment methods enable the Group to estimate changes in the value of the portfolio, if exposed to various risk factors.

Moreover, since the Group does not deal in interest based products, the impact of the above risks will be very minimal. The Group does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

39.4.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Group purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Group to foreign exchange risk. To control this risk, the Group primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Group. The Group also strictly adheres to all associated regulatory limits.

Following is the summary of the assets of the Group subject to foreign exchange risk.

	2012			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	73,007,866	67,319,443	(249,336)	5,439,087
United States dollar	901,086	1,063,616	249,336	86,806
Great Britain pound	118,875	116,351	-	2,524
Deutsche mark	-	-	-	-
Japanese yen	3,480	-	-	3,480
Euro	71,211	60,122	-	11,089
UAE Dirham	244	-	-	244
ACU	23,998	-	-	23,998
CHF	833	-	-	833
AUD	1,171	-	-	1,171
Saudi Riyal	3,615	-	-	3,615
	74,132,379	68,559,532	-	5,572,847
	----- Rupees in '000 -----			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	57,976,692	52,765,344	34,034	5,245,382
United States dollar	562,738	502,211	(16,605)	43,922
Great Britain pound	84,128	83,576	-	552
Deutsche mark	-	-	-	-
Japanese yen	1,521	-	-	1,521
Euro	77,556	58,629	(17,429)	1,498
UAE Dirham	426	-	-	426
ACU	7,777	-	-	7,777
CHF	840	-	-	840
AUD	1,985	-	-	1,985
Saudi Riyal	2,869	-	-	2,869
	58,716,533	53,409,760	-	5,306,773

39.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

Effective Yield / Profit rate	2012											
	Total	Exposed to Yield / Profit risk									Non-profit bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
<i>Assets</i>												
Cash and balances with Treasury Banks	4,938,712	-	-	-	-	-	-	-	-	-	-	4,938,712
Balances with other Banks	6.00%	806,282	293	-	-	-	-	-	-	-	-	805,989
Due from financial institutions	9.04%	8,475,672	8,475,672	-	-	-	-	-	-	-	-	-
Investments	9.62%	28,817,928	563,565	8,035,794	18,974,078	-	-	-	-	-	-	1,244,491
Islamic financing and related assets	12.00%	27,433,262	4,769,039	6,668,428	1,864,693	2,104,229	908,600	1,701,255	3,586,600	163,585	1,148,542	4,518,291
Other assets		1,272,407	-	-	-	-	-	-	-	-	-	1,272,407
		71,744,263	13,808,569	14,704,222	20,838,771	2,104,229	908,600	1,701,255	3,586,600	163,585	1,148,542	12,779,890
<i>Liabilities</i>												
Bills payable		1,251,010	-	-	-	-	-	-	-	-	-	1,251,010
Due to financial institutions	8.77%	1,621,415	-	1,621,415	-	-	-	-	-	-	-	-
Deposits and other accounts	5.82%	64,110,616	5,005,862	3,037,932	2,939,888	7,767,587	11,961,544	12,423,626	6,175,179	3,353,889	-	11,445,109
Other liabilities		1,379,130	-	-	-	-	-	-	-	-	-	1,379,130
		68,362,171	5,005,862	4,659,347	2,939,888	7,767,587	11,961,544	12,423,626	6,175,179	3,353,889	-	14,075,249
On-balance sheet gap		3,382,092	8,802,707	10,044,875	17,898,883	(5,663,358)	(11,052,944)	(10,722,371)	(2,588,579)	(3,190,304)	1,148,542	(1,295,359)
NON FINANCIAL ASSETS												
Operating fixed assets		1,919,513										
Deferred tax assets		87,339										
Other assets		381,264										
		2,388,116										
NON FINANCIAL LIABILITIES												
Other liabilities		197,361										
TOTAL NET ASSETS		5,572,847										
Total Yield / Profit Risk Sensitivity Gap		8,802,707	10,044,875	17,898,883	(5,663,358)	(11,052,944)	(10,722,371)	(2,588,579)	(3,190,304)	1,148,542	(1,295,359)	
Cumulative Yield/Profit Risk Sensitivity Gap		8,802,707	18,847,582	36,746,465	31,083,107	20,030,163	9,307,792	6,719,213	3,528,909	4,677,451	(1,295,359)	

Effective Yield / Profit rate	2011 (Restated)											
	Total	Exposed to Yield / Profit risk									Non-profit bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
<i>Assets</i>												
Cash and balances with Treasury Banks	-	4,684,831	-	-	-	-	-	-	-	-	-	4,684,831
Balances with other Banks	5.00%	549,411	244	-	-	-	-	-	-	-	-	549,167
Due from financial institutions	11.77%	4,436,264	4,436,264	-	-	-	-	-	-	-	-	-
Investments	12.41%	20,891,908	965,291	6,474,972	13,449,275	-	-	-	-	-	-	2,370
Islamic financing and related assets	13.28%	24,665,459	8,071,685	5,350,476	3,545,632	50,288	113,266	132,098	392,290	304,776	1,379,586	5,325,362
Other assets		1,021,474	-	-	-	-	-	-	-	-	-	1,021,474
		56,249,347	13,473,484	11,825,448	16,994,907	50,288	113,266	132,098	392,290	304,776	1,379,586	11,583,204
<i>Liabilities</i>												
Bills payable	-	798,853	-	-	-	-	-	-	-	-	-	798,853
Due to financial institutions	10.00%	800,000	-	350,000	450,000	-	-	-	-	-	-	-
Deposits and other accounts	7.01%	50,468,674	3,840,202	2,415,427	2,606,264	4,866,637	8,704,729	8,813,278	4,769,060	4,207,397	-	10,245,680
Other liabilities		1,182,288	-	-	-	-	-	-	-	-	-	1,182,288
		53,249,815	3,840,202	2,765,427	3,056,264	4,866,637	8,704,729	8,813,278	4,769,060	4,207,397	-	12,226,821
On-balance sheet gap		2,999,532	9,633,282	9,060,021	13,938,643	(4,816,349)	(8,591,463)	(8,681,180)	(4,376,770)	(3,902,621)	1,379,586	(643,617)
NON FINANCIAL ASSETS												
Operating fixed assets		1,816,863										
Deferred tax assets		188,442										
Other assets		461,881										
		2,467,186										
NON FINANCIAL LIABILITIES												
Other liabilities		159,945										
TOTAL NET ASSETS		5,306,773										
Total Yield / Profit Risk Sensitivity Gap		9,633,282	9,060,021	13,938,643	(4,816,349)	(8,591,463)	(8,681,180)	(4,376,770)	(3,902,621)	1,379,586	(643,617)	
Cumulative Yield/Profit Risk Sensitivity Gap		9,633,282	18,693,303	32,631,946	27,815,597	19,224,134	10,542,954	6,166,184	2,263,563	3,643,149	(643,617)	

39.5 Liquidity Risk

Liquidity risk is the potential loss to the Group arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

Liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. Its role cannot be overemphasized here, it serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

39.5.1 MATURITIES OF ASSETS AND LIABILITIES

	2012																		
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	
Rupees in '000																			
Assets																			
Cash and balances with																			
treasury banks	4,938,712	4,938,712	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with																			
other banks	806,282	806,282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from financial institutions	8,475,672	-	4,633,600	-	3,842,072	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	28,817,928	-	279,583	-	-	-	-	8,420,992	-	9,379,946	-	8,581,642	-	1,191,216	-	960,755	-	3,794	
Islamic financing and related assets	27,433,262	-	7,616,523	-	8,133,048	-	1,864,703	-	2,122,037	-	908,600	-	1,862,862	-	3,650,661	-	124,486	1,150,342	
Operating fixed assets	1,919,513	-	-	-	-	53,248	-	-	-	-	-	-	-	-	316,683	-	621,028	928,554	
Deferred tax assets	87,339	-	-	-	-	-	-	-	-	-	-	-	-	-	87,339	-	-	-	
Other assets	1,653,671	26,068	262,196	50,000	396,522	15,864	319,221	163,837	12,560	-	-	-	-	306,708	41,463	59,232	-	-	
	74,132,379	5,771,062	12,791,902	50,000	12,371,642	69,112	2,183,924	163,837	10,555,589	-	10,288,546	-	10,444,504	710,730	4,883,340	680,260	1,085,241	928,554	1,154,136
Liabilities																			
Bills payable	1,251,010	1,251,010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	1,621,415	-	-	-	1,280,000	-	341,415	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	64,110,616	4,088,761	2,758,227	-	3,037,932	-	2,939,888	-	7,767,587	14,916,349	1,847,186	14,916,350	2,309,268	-	6,175,179	-	3,353,889	-	-
Other liabilities	1,576,491	182,609	274,467	108,340	102,749	-	176,975	69,269	77,265	-	26,190	-	18,198	492,837	47,044	-	548	-	-
	68,559,532	5,522,380	3,032,694	108,340	4,420,681	-	3,458,278	69,269	7,844,852	14,916,349	1,873,376	14,916,350	2,327,466	492,837	6,222,223	-	3,354,437	-	-
Net assets	<u>5,572,847</u>	<u>248,682</u>	<u>9,759,208</u>	<u>(58,340)</u>	<u>7,950,961</u>	<u>69,112</u>	<u>(1,274,354)</u>	<u>94,568</u>	<u>2,710,737</u>	<u>(14,916,349)</u>	<u>8,415,170</u>	<u>(14,916,350)</u>	<u>8,117,038</u>	<u>217,893</u>	<u>(1,338,883)</u>	<u>680,260</u>	<u>(2,269,196)</u>	<u>928,554</u>	<u>1,154,136</u>
Share capital	5,279,679																		
Reserves	173,392																		
Accumulated loss	100,283																		
Surplus on revaluation of assets	19,493																		
	<u>5,572,847</u>																		

	2011 (Restated)																		
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	
Rupees in '000																			
Assets																			
Cash and balances with																			
treasury banks	4,684,831	4,684,831	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with																			
other banks	549,411	549,411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from financial institutions	4,436,264	-	4,436,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	20,891,908	-	40,000	-	2,017,600	-	-	-	846,173	-	7,618,000	-	9,131,228	-	563,656	-	672,909	2,342	
Islamic financing and related assets	24,665,459	-	7,261,534	-	6,338,416	-	2,174,913	-	1,419,325	-	781,982	-	1,139,352	-	3,507,353	-	721,922	1,320,662	
Operating fixed assets	1,816,863	-	-	-	35,360	-	-	-	-	-	-	-	295,468	-	512,924	-	973,111	-	
Deferred tax assets	188,442	-	-	-	-	-	-	-	-	-	-	-	188,442	-	-	-	-	-	
Other assets	1,483,355	56,479	96,720	7,000	721,342	19,633	137,807	107,491	-	-	-	-	4,979	-	331,904	-	-	-	
	58,716,533	5,290,721	11,834,518	7,000	9,077,358	54,993	2,312,720	107,491	2,265,498	-	8,399,982	-	10,270,580	488,889	4,071,009	844,828	1,394,831	973,111	1,323,004
Liabilities																			
Bills payable	798,853	798,853	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	800,000	-	-	-	350,000	-	450,000	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	50,468,674	3,187,546	2,272,204	-	2,415,428	-	2,606,265	-	4,866,637	11,367,996	1,649,244	11,369,107	1,757,793	-	4,769,060	-	4,207,394	-	-
Other liabilities	1,342,233	191,626	525,390	34,432	-	-	125,122	24,989	-	-	-	-	440,674	-	-	-	-	-	-
	53,409,760	4,178,025	2,797,594	34,432	2,765,428	-	3,181,387	24,989	4,866,637	11,367,996	1,649,244	11,369,107	1,757,793	440,674	4,769,060	-	4,207,394	-	-
Net assets	<u>5,306,773</u>	<u>1,112,696</u>	<u>9,036,924</u>	<u>(27,432)</u>	<u>6,311,930</u>	<u>54,993</u>	<u>(868,667)</u>	<u>82,502</u>	<u>(2,601,139)</u>	<u>(11,367,996)</u>	<u>6,750,738</u>	<u>(11,369,107)</u>	<u>8,512,787</u>	<u>48,215</u>	<u>(698,051)</u>	<u>844,828</u>	<u>(2,812,563)</u>	<u>973,111</u>	<u>1,323,004</u>
Share capital	5,279,679																		
Reserves	91,221																		
Accumulated loss	(233,205)																		
Surplus on revaluation of assets	169,078																		
	<u>5,306,773</u>																		

39.6 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external / internal events. The risk is different from the others, since it has a greater level of uncertainty and may be termed as a little difficult to measure. The Group believes that (prudence) should be lived and breathed through the organizational culture.

At a more formal level, the Group has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. ORAF is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Group's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

39.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Group follows a deliberate low-risk strategy. Within the general constraints of its niche market the Group is aware of the need of reducing risk. The Group has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

39.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Group actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Group also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

39.9 Shariah Non-compliance

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Advisor. It remains' the most important operational risk for Islamic entities. Compliance of Shariah guidelines must permeate throughout the organization and its adherence should be reflected in the products and activities.

40 TRUST ACTIVITIES

Holding Company's that are Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These are not assets of the group and, therefore, are not included in the consolidated statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account	Face Value (Rs in '000)
Insurance Companies	Sukuks	1	220,000
Asset Management Companies	Sukuks	22	1,450,165
Employee Funds / NGO's	Sukuks	8	311,000
Individuals	Sukuks	8	87,370
Others	Sukuks	21	3,641,465
		60	5,710,000

41 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Group maintained following pools for profit declaration and distribution during the year ended December 31, 2012:

- i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- ii) Musharaka Pool under SBP's Islamic Export Refinance Scheme; and
- iii) Treasury Special Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool is provided to different sectors of economy mainly' to 'Textile and Allied', ' Energy', 'Fertilizer', 'Trading' ' Consumer Finance' and GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled towards the export sector of the economy via different Islamic financing modes such as Murabaha, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is catered for all depositors of the Group and provide profit / loss based on actual returns earned by the Pool. Depositors are Rabb-ul-Maal as they are the provider of capital while group acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Group and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by the Rabb-ul-Maal as per the principles of Mudarabah.

The IERS Pool caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with the Group for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabaha, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Group's IERS Musharakah pool. IERS Pool consists of blue chip companies to whom the Group has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio.

Treasury Pools are managed on the basis of Musharakah, wherein Group and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. The pool is exposed to following kinds of risks:

- 1 **Asset Risk:** The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Group has prepared detailed product manuals in order to identify and properly mitigate such risk. The Group also analyze transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professional having considerable experience in the field of Islamic Banking and finance. Nevertheless since Islamic Banking is a nascent industry we believe that the process of further improvement will continue as the business grows.
- 2 **Credit Risk:** Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 39.1 to these consolidated financial statements.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between Group and the depositors as per agreed profit sharing ratio after deduction of commingled Group's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Group in compliance with the requirements of the SBP and Shariah.

The allocation of income and expenses to different pools shall be made based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by Group as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabaha, Ijarah, DM, Istisna, Karobar Financing, Salam, etc.) and depreciation of Ijarah assets. The general and specific provisions created against non-performing Islamic financings and diminution in the value of investments as under prudential regulations and other SBP directives have been borne by Group as Mudarib.

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			(Rupees in '000)
PKR Pool	Monthly	12.84%	63.34%	36.66%	1,813,542	8.20%	11.77%	213,510
USD Pool	Monthly	1.35%	50.01%	49.99%	1,368	0.37%	0.00%	-

Specific Pool	Profit rate and weightage announcement period	Profit rate return earned	SBP Share %	Bank share %	Bank share	Profit rate return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	12.53%	29.76%	70.24%	64,117.9	11.46%	0.00%	-

In addition to the above 85 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

42 GENERAL

42.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the consolidated statement of financial position and consolidated profit and loss account.

The figures in the consolidated financial statements have been rounded off to the nearest thousand rupee.

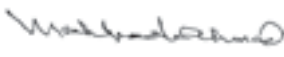
42.2 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current year except for the following:

Reclassified from	Reclassified to	Rupees in '000
Administrative Expense - Worker's Welfare Fund	Other charges - Worker's Welfare Fund	12,795
Administrative Expense - Repairs and maintenance	Administrative Expense - Salaries, allowances, and other benefits	19,953
Administrative Expense - Repairs and maintenance	Administrative Expense - Rent, taxes, insurance, electricity, etc.	52,039
Other Income - others	Other Income - Fee, commission and brokerage income	13,968
Other Charges - others	Administrative expense - others	4,249

43 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 04, 2013 by the Board of Directors of the Holding Company.



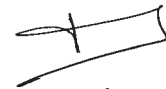
Chairman



President / Chief Executive



Director



Director

Annexure 1 to the Consolidated Financial Statements

Details of amounts disposed off during the year including assets disposed off to Chief Executive Officer or to a Director or to Executives or to any related parties irrespective of the value, are as follows;

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
----- Rupees in thousand -----							
ATM Machine Mother Board	44	34	10	44	34	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	9	5	14	9	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	14	-	14	14	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	12	2	14	12	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	10	4	14	10	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	28	19	9	28	19	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	13	13	-	13	13	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	28	16	12	28	16	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	21	19	2	21	19	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	14	14	-	14	14	Takaful Claim	Pak Qatar General Takaful Limited
CISCO Router	273	273	-	273	273	Takaful Claim	Pak Qatar General Takaful Limited
CISCO Router	693	546	147	693	546	Takaful Claim	Pak Qatar General Takaful Limited
Desktop	2	2	-	2	2	Takaful Claim	Pak Qatar General Takaful Limited
Desktop	5	5	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Desktop	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Electrical Work	55	20	35	55	20	Takaful Claim	Pak Qatar General Takaful Limited
E-Queue Management System	143	117	26	143	117	Takaful Claim	Pak Qatar General Takaful Limited
Hard Drive	9	1	8	9	1	Takaful Claim	Pak Qatar General Takaful Limited
HP Server	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
HP Server Motherboard	35	2	33	35	2	Takaful Claim	Pak Qatar General Takaful Limited
IP Phones	10	9	1	9	8	Takaful Claim	Pak Qatar General Takaful Limited
IP Phones	14	13	1	14	13	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	84	84	-	5	5	Group's policy	Ahmed Mobeen
Laptop	26	19	7	7	-	Group's policy	Ahmed Mustafa
Laptop	74	74	-	5	5	Group's policy	Aleem Azimi
Laptop	74	74	-	5	5	Group's policy	Arbab Wadood
Laptop	74	74	-	5	5	Group's policy	Arsalan Vohra
Laptop	81	81	-	5	5	Group's policy	Ata Hussain
Laptop	74	74	-	5	5	Group's policy	Atika Khan
Laptop	83	83	-	5	5	Group's policy	Bilal Zuberi
Laptop	84	84	-	5	5	Group's policy	Farman Ahmed
Laptop	81	81	-	5	5	Group's policy	Farooq Anwar
Laptop	84	84	-	5	5	Group's policy	Hasan A Bilgrami
Laptop	84	84	-	5	5	Group's policy	Khawaja Ehrar ul Hasan
Laptop	81	81	-	5	5	Group's policy	M Faisal Sheikh
Laptop	84	84	-	5	5	Group's policy	M Furqan
Laptop	83	83	-	5	5	Group's policy	Mujtaba Hussain
Laptop	74	74	-	5	5	Group's policy	Rehan Shuja
Laptop	84	84	-	5	5	Group's policy	Sajid Hussain
Laptop	84	84	-	5	5	Group's policy	Sarfraz Waris
Laptop	83	83	-	5	5	Group's policy	Sheba Matin Khan
Laptop	83	83	-	5	5	Group's policy	Syed Akhtar Ausaf
Laptop	83	83	-	5	5	Group's policy	Syed Tanveer
Laptop	74	74	-	5	5	Group's policy	Zahid Karim
Laptop	87	87	-	26	26	Insurance Claim	EFU General Insurance Company
LCD Monitor	2	2	-	2	2	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitor	2	2	-	2	2	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitor	16	16	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
Main Board of UPS	37	37	-	38	38	Takaful Claim	Pak Qatar General Takaful Limited
Main Board of UPS	22	22	-	23	23	Takaful Claim	Pak Qatar General Takaful Limited
Motorcycle	70	3	67	66	(1)	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply - Server	21	20	1	22	21	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply - Server	22	21	1	22	21	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply - Server	21	21	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
Refrigerator	22	19	3	3	-	Negotiation	AS Electronics
Refrigerator	22	19	3	4	1	Negotiation	AS Electronics
Refrigerator	23	19	4	4	-	Negotiation	AS Electronics
Server	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
Server	26	26	-	26	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	26	26	-	26	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	43	36	7	43	36	Takaful Claim	Pak Qatar General Takaful Limited
Server	55	55	-	54	54	Takaful Claim	Pak Qatar General Takaful Limited
Server	21	21	-	21	21	Takaful Claim	Pak Qatar General Takaful Limited
Server	10	8	2	9	7	Takaful Claim	Pak Qatar General Takaful Limited
Server	40	39	1	40	39	Takaful Claim	Pak Qatar General Takaful Limited
Server	27	26	1	27	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	27	26	1	27	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	25	20	5	25	20	Takaful Claim	Pak Qatar General Takaful Limited
Server	27	26	1	27	26	Takaful Claim	Pak Qatar General Takaful Limited
Server	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
Server	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Server Power Supply	22	2	20	22	2	Takaful Claim	Pak Qatar General Takaful Limited
Split AC	78	54	24	78	54	Takaful Claim	Pak Qatar General Takaful Limited
Suzuki Cultus	699	375	324	525	201	Employment terms	Ayaz Chaudhry
Suzuki Cultus	813	429	384	684	300	Employment terms	S Hamid Jawad Bukhari
Suzuki Liana	852	743	109	488	379	Employment terms	Fesal Omar
Suzuki Liana	852	793	59	511	452	Auction	Auction - Naveed Rauf
Suzuki Sprinter	52	44	8	18	10	Auction	Auction - Naveed Rauf
Switch	577	81	496	577	81	Takaful Claim	Pak Qatar General Takaful Limited
Toshiba Note Book	81	81	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Toshiba Note Book	74	74	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Toshiba Note Book	74	74	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Toyota Camry	3,203	3,022	181	294	113	Employment terms	Hasan A Bilgrami

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
----- Rupees in thousand -----							
UPS	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
UPS	15	15	-	15	15	Takaful Claim	Pak Qatar General Takaful Limited
UPS	10	10	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
UPS	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
UPS	17	17	-	17	17	Takaful Claim	Pak Qatar General Takaful Limited
UPS	425	399	26	425	399	Takaful Claim	Pak Qatar General Takaful Limited
UPS	10	8	2	10	8	Takaful Claim	Pak Qatar General Takaful Limited
UPS	19	18	1	20	19	Takaful Claim	Pak Qatar General Takaful Limited
UPS	265	265	-	265	265	Takaful Claim	Pak Qatar General Takaful Limited
UPS	26	26	-	26	26	Takaful Claim	Pak Qatar General Takaful Limited
Video Conferencing Equipment	473	473	-	473	473	Takaful Claim	Pak Qatar General Takaful Limited
Total	12,607	10,574	2,033	6,713	4,680		

PATTERN OF SHAREHOLDING

No. of Shareholders	Shareholding		Total Shares Held	Total Shares Held %
	From	To		
328	1	100	12,927	0.002
16569	101	500	7,888,735	1.494
4038	501	1000	3,101,722	0.587
2559	1001	5000	5,369,856	1.017
395	5001	10000	3,178,649	0.602
403	10001	100000	11,999,554	2.272
71	100001	1000000	24,062,816	4.558
2	1000001	2000000	2,356,193	0.446
3	2000001	3000000	6,620,351	1.254
2	3000001	4000000	6,600,000	1.250
2	4000001	5000000	9,780,500	1.853
3	5000001	6000000	15,984,550	3.028
2	6000001	7000000	12,745,284	2.414
1	10000001	11000000	11,000,000	2.084
2	13000001	14000000	27,150,000	5.142
1	14000001	15000000	14,188,000	2.688
1	20000001	21000000	20,771,500	3.934
2	51000001	52000000	102,847,766	19.480
1	111000001	112000000	111,256,116	21.073
1	131000001	132000000	131,053,379	24.822
24,386			527,967,898	100

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2012

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	5		52.06
Dubai Bank PJSC		131,053,379	
JAHANGIR SIDDIQUI & CO.LTD.		111,256,116	
SAJ CAPITAL MANAGEMENT LTD		20,771,500	
JS VALUE FUND LIMITED		5,182,500	
EFU GENERAL INSURANCE LIMITED		6,603,975	
SUB TOTAL		274,867,470	
MODARABAS AND MUTUAL FUNDS	16		3.82
CDC - TRUSTEE ATLAS STOCK MARKET FUND		500,000	
CDC-TRUSTEE PAKISTAN PREMIER FUND		20,000	
MCBFSL - TRUSTEE NAMCO BALANCED FUND		4,840,500	
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUN		975,000	
MC FSL - TRUSTEE JS GROWTH FUND		6,141,309	
CDC - TRUSTEE APIF - EQUITY SUB FUND		150,000	
CDC - TRUSTEE NAFA ISLAMIC MULTI ASSET FUND		200	
CDC - TRUSTEE HBL - STOCK FUND		1,014,500	
CDC - TRUSTEE ALFALAH GHP ISLAMIC FUND		944,517	
CDC - TRUSTEE MCB DYNAMIC STOCK FUND		100,000	
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND		500,000	
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND		22,000	
CDC - TRUSTEE JS LARGE CAP. FUND		4,940,000	
CDC - TRUSTEE MEEZAN BALANCED FUND		500	
CDC - TRUSTEE AL MEEZAN MUTUAL FUND		500	
CDC - TRUSTEE MEEZAN ISLAMIC FUND		500	
SUB TOTAL		20,149,526	
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN	5		19.60
Chief Justice (Retd.) Mahboob Ahmed		130,829	
Ali Raza Siddiqui		5,000	
Ahmed G. M. Randeree		51,423,883	
Hasan A. Bilgrami		499,079	
Shabir Ahmed Randeree		51,423,883	
SUB TOTAL		103,482,674	
EXECUTIVE AND THEIR SPOUSE,	1		0.10
ALIYA MUHAMMAD IMRAN		526,000	
SUB TOTAL		526,000	
PUBLIC SECTOR COMPANIES AND CORPORATIONS:	0	0	
"BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES TAKAFUL, MODARABAS, PENSION FUNDS AND OTHERS"	95	51,743,181	9.80
INDIVIDUALS:			
a: Local	24,257	76,952,701	14.58
b: Foreign	7	246,346	0.04
TOTAL	24,386	527,967,898	100

ADDITIONAL INFORMATION AS AT DECEMBER 31, 2012

FIVE % AND ABOVE

Dubai Bank PJSC	1	131,053,379	24.82
JAHANGIR SIDDIQUI & CO.LTD.	1	111,256,116	21.07
Shabir Ahmed Randeree	1	51,423,883	9.74
Ahmed G. M. Randeree	1	51,423,883	9.74

CORRESPONDENT BANKING NETWORK

COUNTRY	NAME OF BANK
AUSTRALIA	COMMONWEALTH BANK OF AUSTRALIA
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KEB AUSTRALIA LIMITED
AUSTRIA	COMMERZBANK AG
	RAIFFEISENLANDESBANK OBEROESTERREICH
BAHRAIN	BMI BANK BSC(C)
	KOREA EXCHANGE BANK, BAHRAIN BRANCH
	NATIONAL BANK OF PAKISTAN
BANGLADESH	BANK ALFALAH LIMITED
	BANK ASIA LIMITED
	HABIB BANK LIMITED
BELARUS	JOINT-STOCK SAVINGS BANK BELARUSBANK
BELGIUM	HABIB BANK LIMITED
BRAZIL	BANCO KEB DO BRASIL S.A.
CANADA	HABIB CANADIAN BANK
	KOREA EXCHANGE BANK OF CANADA
CHINA	BANK OF CHENGDU CO. LTD.
	BANK OF JIANGSU CO LTD.
	CHINA EVERBRIGHT BANK
	HARBIN COMMERCIAL BANK
	JPMORGAN CHASE BANK
	KOREA EXCHANGE BANK
	SHENGJING BANK
	SHENZHEN DEVELOPMENT BANK CO., LTD.
	ZHEJIANG CHOUZHOU COMMERCIAL BANK CO., LTD
	ZHEJIANG PINGHU RURAL COOPERATIVE BANK
DENMARK	DANSKE BANK A/S
DJIBOUTI	BANQUE POUR LE COMMERCE ET L'INDUSTRIE-MER GROUPE
FINLAND	DANSKE BANK A/S
	DANSKE BANK PLC
	NORDEA BANK FINLAND PLC
FRANCE	HABIB BANK LIMITED
	KOREA EXCHANGE BANK
	NATIONAL BANK OF PAKISTAN
	UNION DE BANQUES ARABES ET FRANCAISES
GERMANY	COMMERZ BANK AG
	DANSKE BANK A/S
	KOREA EXCHANGE BANK (DEUTSCHLAND) AG
	NATIONAL BANK OF PAKISTAN

	RAIFFEISENLANDESBANK OBEROESTERREICH AKTIENGESELLSCHAFT
	UNICREDIT BANK AG
GREECE	EUROBANK ERGASIAS S.A.
HONG KONG	COMMONWEALTH BANK OF AUSTRALIA
	HABIB BANK LIMITED
	HBZ FINANCE LIMITED
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KOREA EXCHANGE BANK
	MASHREQ BANK
	NATIONAL BANK OF PAKISTAN
	UNION BANK OF INDIA
	UNION DE BANQUES ARABES ET FRANCAISES
INDIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	MASHREQBANK
	TAMILNAD MERCANTILE BANK LIMITED
	UNION BANK OF INDIA
INDONESIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	PT BANK.KEB INDONESIA
	PT BANK BUKOPIN
	PT BANK MANDIRI (PERSERO) TBK
IRAN	BANK MELLI IRAN
	BANK MELLAT
	BANK SADERAT IRAN
IRELAND	DANSKE BANK PLC
ITALY	BANCA INTESA S.P.A.
	BANCA POPOLARE DI VICENZA SCPARL
	BANCA UBAE SPA
	BANCO POPOLARE DI VERONA
	UNICREDIT BANK
JAPAN	COMMONWEALTH BANK OF AUSTRALIA
	JPMORGAN CHASE BANK, N.A.
	KOREA EXCHANGE BANK
	NATIONAL BANK OF PAKISTAN
	UNION DE BANQUES ARABES ET FRANCAISES
KENYA	GULF AFRICAN BANK LIMITED
	HABIB BANK AG ZURICH
	HABIB BANK LIMITED
	KENYA COMMERCIAL BANK LIMITED
KOREA	BUSAN BANK
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KOREA EXCHANGE BANK
	NATIONAL BANK OF PAKISTAN
	UNION DE BANQUES ARABES ET FRANCAISES

	WOORI BANK
KUWAIT	COMMERCIAL BANK OF KUWAIT SAK, THE
LEBANON	HABIB BANK LIMITED
LUXEMBOURG	DANSKE BANK INTERNATIONAL SA
MALAYSIA	AFFIN BANK BERHAD
	BANK MUAMALAT MALAYSIA BERHAD
	EON BANK BERHAD
	JPMORGAN CHASE BANK BERHAD
MAURITIUS	HABIB BANK LIMITED MAURITIUS
NEPAL	HIMALAYAN BANK LIMITED
NETHERLANDS	HABIB BANK LIMITED
	KOREA EXCHANGE BANK
NIGERIA	PLATINUMHABIB BANK PLC
NORWAY	DANSKE BANK PLC
OMAN	HABIB BANK OMAN
PAKISTAN	ALBARAKA BANK (PAKISTAN) LIMITED
	ALLIED BANK LIMITED
	ASKARI BANK LIMITED
	BANK AL HABIB LIMITED
	BANK ALFALAH LIMITED
	BANK OF KHYBER (THE)
	BANK OF PUNJAB (THE)
	BURJ BANK LIMITED
	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	FAYSAL BANK LIMITED
	HABIB BANK LIMITED
	HABIB METROPOLITAN BANK LIMITED
	JS BANK LIMITED
	KASB BANK LIMITED
	MCB BANK LIMITED
	MEEZAN BANK LIMITED
	NATIONAL BANK OF PAKISTAN
	NIB BANK LIMITED
	SAMBA BANK LIMITED
	SILKBANK LIMITED
SINDH BANK LIMITED	
SONERI BANK LIMITED	
SUMMIT BANK LIMITED	
UNITED BANK LIMITED	
PANAMA	KOREA EXCHANGE BANK
PHILIPPINE	KOREA EXCHANGE BANK
POLAND	DANSKE BANK A/S
QATAR	QATAR ISLAMIC BANK

	UNITED BANK LIMITED
ROMANIA	ROMANIAN INTERNATIONAL BANK SA
RUSSIA	OPEN JOINT STOCK COMPANY 'RBS'
SAUDI ARABIA	ALRAJHI BANKING & INVESTMENT CORPORATION
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	NATIONAL BANK OF PAKISTAN
	NATIONAL COMMERCIAL BANK
	SAUDI HOLLANDI BANK
SINGAPORE	COMMONWEALTH BANK OF AUSTRALIA
	HABIB BANK LIMITED
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KOREA EXCHANGE BANK, SINGAPORE BRANCH
	UNION DE BANQUES ARABES ET FRANCAISES
	WOORI BANK
SLOVAKIA	COMMERZBANK AG
SOUTH AFRICA	FIRST RAND BANK LIMITED
SOUTH AFRICA	HABIB OVERSEAS BANK LIMITED
SOUTH AFRICA	HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO
	BANCO SANTANDER S.A.
SRI LANKA	HATTON NATIONAL BANK LIMITED
SWEDEN	DANSKE BANK A/S
	SVENSKA HANDELSBANKEN
SWITZERLAND	ARAB BANK (SWITZERLAND) LIMITED
	HABIB BANK AG ZURICH
	HABIBSONS BANK LIMITED
	KOREA EXCHANGE BANK (SCHWEIZ) AG
	UNITED BANK A.G.
TAIWAN	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
THAILAND	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KOREA EXCHANGE BANK
TURKEY	ASYA KATILIM BANKASI A.S.
	HABIB BANK LIMITED
	KUVEYT TURK KATILIM BANKASI SA
	TEKSTIL BANKASI S.A.
	TURKIYE FINANS KATILIM BANK
	TURKIYE VAKIFLAR BANKASI T.A.O.
U.A.E.	ABU DHABI COMMERCIAL BANK
	ABU DHABI ISLAMIC BANK
	DUBAI BANK PJSC
	EMIRATES NBD BANK PJSC
	HABIB BANK AG ZURICH
	HABIB BANK LIMITED

	KUWAIT TURKISH PARTICIPATION BANK DUBAI LTD.
	MASHREQ BANK
	UNITED BANK LIMITED
U.K.	BANCA INTESA S.P.A.
	COMMONWEALTH BANK OF AUSTRALIA
	DANSKE BANK A/S
	DANSKE BANK PLC
	HABIB – UK PLC
	HABIB BANK AG ZURICH
	HABIBSONS BANK LIMITED
	ISLAMIC BANK OF BRITAIN PLC
	JPMORGAN CHASE BANK N.A.
	KOREA EXCHANGE BANK
	MASHREQ BANK
	UNITED NATIONAL BANK
	WOORI BANK
U.S.A.	ATLANTIC BANK OF NEW YORK
	BOKF NA
	COMMONWEALTH BANK OF AUSTRALIA
	DEUTSCHE BANK TRUST COMPANY AMERICAS
	HABIB AMERICAN BANK
	HABIB BANK LIMITED
	INTERNATIONAL FINANCE CORPORATION
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KEB NY FINANCIAL CORPORATION
	MASHREQ BANK
	NATIONAL BANK OF PAKISTAN
	SAEHAN BANK, LOS ANGELES
	UNITED BANK LIMITED
	WELLS FARGO BANK NA
UKRAINE	CREDIT DNEPR BANK
	DEMARK BANK JS
VIETNAM	ASIA COMMERCIAL BANK
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	KOREA EXCHANGE BANK, HANOI BRANCH
	VIETNAM ASIA COMMERCIAL JOINT-STOCK BANK
	VINASIAM BANK
YEMEN	SABA ISLAMIC BANK

BRANCH NETWORK*

SINDH

Main Branch Clifton (Karachi)

11th Floor, Executive Tower, Dolmen City,
Marine Drive, Block-4, Clifton, Karachi.
Tel: (021)-35839906
Fax: (021)-35378373 "

Cloth Market Branch, Karachi

Cloth Market Branch Shop-05
Cochinwala Market Laxmidas Street Karachi.
Tel: (021)-32469031-35
Fax: (021)-32469030

Baqai Medical University Branch (Karachi)

51-DHTOR, Baqai Medical Centre,
Super Highway, North Bond, Karachi.
Tel: (021)-34410220 - 34410201
Fax: (021)-34410294. "

Al Hilal Society Branch (Karachi)

Shop No. 1, Jawwad Court Plot No. SC-11,
KDA Scheme No#7 Main University Road,
Chandni Chowk, Karachi.
Tel: (021)-34860713-16, 34860728
Fax# (021)-34860704

Dhoraji Sub Branch, Karachi

Al Madina Heights
Plot Survey No. 35 C/449
C. P Berar Cooperative Housing Society
Telephone: (021)-34860407-10, 34860566-68
Fax : (021)- 34860569

Gulshan-e-Maymar Branch (Karachi)

Gulshan-e-Maymar Branch,
Areeba Heaven, SB-3, Sector X-II Karachi.
Tel: (02)-36833354-5
Fax: 36833445

Karachi Stock Exchange Branch (Karachi)

Room No. 520, 5th Floor,
KSE Building Karachi
Tel. # (021) 32462861-67
Fax: (021) 32462490

Malir Cantt Branch (Karachi)

Plot No. 35, Block-5 Cantt Bazar,
Malir Cantt Karachi.
Telephone:(021)-34491481-2
Fax : (021)-34491483

North Nazimabad Block A, Branch (Karachi)

Shop No. 3A, 3B, 3C, 2B Unique Centre,
Block A, North Nazimabad, Karachi
Tel: 021-36722504-6
Fax: 36722507

Orangi Town Branch (Karachi)

Plot No. LS 55 & 56, ST 11-A Sector 1,
Block D, Orangi Town, Karachi.
Tel# 021-36664031-34, 36692257-59
Fax# 021-36662257 Sarwar B.M

26th Street D.H.A. Branch (Karachi)

26th Street Branch, 31-C, Badar Commercial
Street No.1 Phase V, D.H.A. Karachi.
Tel: (021)- 35349244-5
Fax: (021)-35349243"

Rashid Minhas Road Branch (Karachi)

Rashid Minhas Road Branch,
Block-5, Gulshan-e-Iqbal Karachi.
Tel: (021)-34818227-9
Fax: (021)-34818135

Burns Road Sub Branch, Karachi

Land Survey, Sheet No. AM 51
Burns Road, Karachi
Ph: (021)-32215505(021)-32215592-32215505
Fax : (021)-32215480

Shadman Town Branch (Karachi)

Shop No. 1-5 KDA Flats Phase # 3,
Sector 14/B Shadman Town No. 1,
North Nazimabad Karachi.
Tel: (021)-36950027-33
Fax: (021)-36950034

F.B Area Sub Branch, Karachi

Plot No. C-6, Block 4
KDA Scheme #16
F.B. Area, Karachi
Telephone: (021)- 6362278-6807782
Fax : (021)- 36364659

Shaheed-e-Millat Branch (Karachi)

Shop No. 15 & 16, Adam Arcade, B.M.C.H.S.
Shaheed-e-Millat Road, Karachi.
Tel: (021)-34145305-9
Fax: 34145310

Korangi Branch (Karachi)

Korangi Branch, Plot No. 51/9-B
Sector 15 Korangi Industrial Area, Karachi.
Tel: (021)35114488-91
Fax: 35114494

Saddar Branch Karachi

Plot no 7/17 saddar bazar quarter Bohri bazar
raja ghanzaefar ali khan road
saddar Karachi
Tel#(021)-35219891-94
Fax#(021)-35219895

North Nazimabad Branch (Karachi)

North Nazimabad Branch, D-5,
Block-L, North Nazimabad Karachi.(5 STAR)
Tel: (021)-36676474-75
Fax: 36676488

UP More Branch (Karachi)

UP More Branch, LS-7, Street No. 8
Sub Sector 11-I, Town Ship Karachi.
Tel: (021)-36950158-59-61-64-66
Fax: 36950167

Baloch Colony Branch (Karachi)

Plot No. SA-2/1 Block-3 Administrative
Society, Karachi.
Tel# (021)-34300036-42
Fax# (021)-3430004

S.I.T.E. Branch (Karachi)

Shop Nos. 8 & 9, Anum Trade Center, E-31-B,
Ghani Chowrangji, S.I.T.E., Karachi.
Tel: (021)-32587661-2
Fax: (021)32587510

Shah Faisal Colony Branch (Karachi)

Shop No 1 & 2 Plot No A/7 Surrey No, 135,
Deh Drigh Colony Shah Faisal Colony Karachi.
Tel: (021)-34686121-25
Fax: (021)-34686126

Shahra-e-Faisal Branch (Karachi)

Shahra-e-Faisal Branch, Shop No. 1,
Faisal Tower. Plot No. 25/3 Survey Sheet No. 35/1
Block 7 & 8 Maqbool CHS Ltd.
Tel: (021)-34555985-87
Fax: (021)-34555991

University Road Branch (Karachi)

Shop No. 1, Ground Floor, Jawwad Court,
Plot No. SC-11,
KDA Scheme No.7, Main University Road
Telephone: (021)-34801540-1
Fax : (021)-34839032

DHA Phase IV Branch (Karachi) Waqar- C.S.O

Plot # 36-C Sunset Commercial
Street # 2 D.H.A Phase 4 Karachi.
Tel: (021)-35313191-7
Fax: 35313190

Power House Branch (Karachi)

St-3 As-28 Comm. Area Sector 5-H
Power House, New Karachi.
Tel: 021-36901356 - 9, 36901362
Fax: 021-36901364

Nazimabad #7 Sub Branch

Plot No-4 Row No-1 sub block,iii
Situated at Nazimabad, Karachi.
Tel#(021)-36707492-96
Fax# 36707497

Jodia Bazar Branch (Karachi)

Jodia Bazar Branch Ibrahim Manzil,
Jodia Bazar Darya Lal Street Karachi.
Tel: (021)-32462488-9, 32462831-4
Fax: 32416368

Gulistan-e-Jauhar Branch (Karachi)

Shop No. W-9, Eastern Print Appt. Block 15,
KDA Scheme 36 Gulistan-e-Johar Karachi.
Tel: (021)- 34619518-34619563-73
Fax: (021)-34619514

Auto Bahan Branch (Hyderabad)

Hyderabad Branch Plot # C-10-8, C-10- 3
Block C Auto Bahan Road, Hyderabad, Pakistan.
Tel: 022-3820301-2-3-4-5-6-7
Fax: 022-3820308

Nawabshah Branch

Nawab Shah Branch City Survey No. 225
Ward A Masjid Road Nawab Shah.
Tel: 0244-330920-4, 0244-330926-7
Fax: 0244-330928

Sukkur Branch (Anwar Hussain - C.S.M)

Sukkur Branch, Umar Welding Store City
Survey No. 3/21 Station Road Sukkur.
Tel: 071-5617322-8 Fax (071)5617329

Heerabad Branch (Hyderabad)

A/113-261, Jail Road,
Heerabad, Hyderabad.
Tel: 022-2636768-70, 2636862 -3
Fax: 022-2636864

Larkana Branch

Larkana Branch City Survey # 1806
Word-A Bank Square Road Larkana.
Tel: 074-4059833-6, Fax (074)4059887

Mirpurkhas Branch

New Town Station Road
Mirpur Khas, Pakistan.
Tel: (0233) -875843 Fax(0233)875802

Tando Allahyar Branch

Tando Allahyar Branch Mir Pur Khas Road,
Tando Allahyar
Tel: (022), 3892424, 3891442, 3892443
Fax: (022)-3891699

GHARO

Jaryan/ Plot No.102, Gharo No.1,
Qazi Mohalla, Chowdhery Market,
Main National Highway,
Tehsil Mirpur Sakro, District Thatta.
Phone : (0298)760243 to (0298)760246
Fax : (0298)760247

GHOTKI SUB BRANCH

Plot No. 408, Ward-A, Qadirpur Road,
Opposite Municipal Park Town, Tehsil & District Gotki.
Phone : 0723-682544
Fax : 0723-682546

TANDO ADAM

Plot No.947/16, Ward-D, Park View Apartment,
Iqbal Road, Tando Adam.
Phone 0235- 575213, 214,215 & 0235-571213
Fax: 0235-571215

KARACHI- NAVAL COLONY

Plot No 3-C, Sector- 4,
Haroon Bahria Cooperative
Housing Society, Naval Colony,
Hub River Road, Karachi.
Phone : 021-32364411-14
Fax : 021-32364415

KARACHI- DHA PHASE II

8C,A & 9D,A, Commercial Area,
Phase II, Defence Housing Authority,
Clifton Cantonment Board, Karachi
Phone :021-35388403-408
Fax: 021-35388409

KARACHI- AYESHA MANZIL

Rose Marry Apartment,
Shop No 4,5,6,7,10,11,12,
Plot No C-1, Block No-10,
Federal 'B' Area, Karachi.
Phone: 021-36365580-84
Fax : 021-36365585

DHA PHASE VIII, BRANCH (NEAR CREEK) KARACHI

Plot No.62-C, Al-Murtaza Commercial Lane-3,
Phase VIII, Near Creek, DHA, Karachi.
Phone: (021)35245931 to (021)35245934
Fax: (021)35245935

SOHRAB GOTH BRANCH, KARACHI

Shop No.G-17-A- G-17-B, G-18-A & G-63,
Plot No. 1-B-1, Block-G, Al-Asif Square,
KDA Scheme No.33, Karachi.
Phone : (021)36370515 to (021)36370518
Fax : (021)36370519

KARACHI- BHAINS COLONY BRANCH KARACHI

Commercial Plot No.42-B, Road No. 8,
Bhains Colony, Landhi, Karachi.
Phone : (021)35081441-44
Fax : (021)35081445

BUFFER ZONE SUB BRANCH, KARACHI

Shop No.1-to- 10, Ground Floor,
Plot No. R-405 & 470, Sector 11-C/1,
North Karachi Township, Buffer Zone, Karachi.
Phone : (021)36965105 to (021)36965108
Fax : (021)36965109

KARACHI- GULSHAN-E-IQBAL, BLOCK 13 C.

Commercial plot No.SB/19, Block No.13-C,
KDA Scheme No.24, Gulshan-e-Iqbal, Karachi.
Phone : 021-34830780- 83
Fax : 021-34830784

DASTAGIR SUB BRANCH, KARACHI

Shop No.1,2,3 & 4, Ground Floor,
Plot No. 213 & 214, Block No.15,
Federal 'B' Area, KDA Scheme No.16, Karachi.
Phone : 021-36310412-14, 40 & 57
Fax: 021-36310458

DEHLI COLONY SUB BRANCH, KARACHI

Plot No. D-41/A, Block No.8,
Opposite PSO Petrol Pump,
KDA Scheme No.5, Clifton, Karachi.
Phone : (021)35862556 to (021)35862559
Fax : (021)35862560

TRUCK STAND HAWKS BAY ROAD BRANCH KARACHI

Plot No. 699 Gate No.6, New Truck Stand,
Hawksbay Road, Karachi.
Phone : 021- 32359530-33
Fax : 021- 32359534

GULSHAN-E-HADEED SUB BRANCH, KARACHI

C-31, Phase- I, Sector 8, Gulshan-e-Hadeed, Karachi.
Phone : (021)34715092 to (021)34715095
Fax :(021)34715096

GIZRI SUB BRANCH

Shop No. 1,2 & 3, Sana Arcade,
Near Masjid-e-Siddique-e-Akbar, Behind Gizri,
Block-5, Commercial Area, Clifton, Karachi.
Phone : (021)35810250 to (021)35810253
Fax: (021)35810254

KARACHI- LASBELLA, PATEL PARA

Shop No. 1, 2, 3 & 4, Mehran Garden,
Plot No. GRE 457/2, Garden East,
Near Lasbella Chowk, Karachi.
Phone: (021)34856601 to (021)34856604
Fax: (021)34856605

GULZAR-E-HIJRI SUB BRANCH, KARACHI

Shop No.1, Plot No.10, Block-2,
Sector 14/A, Matrovi-III, Gulzar-e-Hijri, Karachi.
Phone : 021-34641415- 418
Fax: 021-34641419

PUNJAB

KAMOKE- G.T ROAD, KAMOKE

G.T Road Kamoke, District Gujranwala.
Phone : 055-6813227-30
Fax : 055-6813231

LAHORE- GULSHAN-E-RAVI

Plot No. 10, Block-C, Gulshan-e- Ravi, Lahore.
Phone: (042)37404211 to (042)37404214
Fax : (042)37404215

LALAMUSA SUB BRANCH

Property No. B-VIII/3, Adjacent to Askari Bank,
G.T. Road, Lalamura.
Phone:(053)7511580 to (053)7511583
Fax: (053)7511584

KHANPUR SUB BRANCH

Plot No. 27 & 28, Kutchery Road,
Model Town Khanpur.
Phone: 068-5571350, 352
Fax: 068-5571351

RAWALPINDI- BAHRIA TOWN SUB BRANCH

Zahra Icon, Plot # 179, Southern Avenue,
Boulevard Corner, Phase 4, Civic Centre,
Bahria Town, Rawalpindi.
Phone: (051)5732336 to (051)5732339
Fax: (051)5732345

RAWALPINDI- WESTRIDGE

Rafay Mall & Rafay Tower,
Westridge Mall Road, Rawalpindi.
Phone : 051- 5440162- 65
Fax: 051-5440166

MURREE

Al Mustaf Plaza, The Mall View Estate,
The Mall Road, Murree, Tehsil Murree,
District Rawalpindi.
Phone: (051) 3413203 to (051)3413206
Fax: (051)3413207

ATTOCK

Omair Arcade, Opposite Peoples Colony,
Main Attock Road, Attock.
Phone: (057) 2700425, 725, 825 & 261042,
Fax: 057- 2613425

Jail Road Branch, (Lahore)

Plot No. 5 A,House # 5
Near EFU House
Jail Road, Lahore
Telephone:(0423)-5790571-88
Fax : (0423)-5790573

DHA Branch, (Lahore)

153 Block DHA, Lahore 0423-5734709,11,13
Telephone: (0423)-5733841-44
Fax : (0423)-5692639

Thokar Niaz Baig Branch (Lahore)

3/D- Nawab Town, Rawind Road,
Thokar Niaz Baig, Lahore
Tel: (0423)5315636-40
Fax : - (0423)5315641

Azam Cloth Market Lahore

F-1207 Azam Cloth Market Lahore.
Tel# (0423)7670188-7670256
Fax# (0423)7658582

Circular Road (Lahore)

Shop 3 38 105/h outside mochi darwaza
Telephone: (0423)-7374009-15
Fax :(0423)7374016

DHA G Block Sub Branch, (Lahore)

47-G,Commercial Area, Phase I
Block - G, Stadium Road
D.H.A, Lahore
Telephone: (0423)-5691066-72
Fax: (0423)-56910673

Ferozepur Road (Lahore)

174- Ferozepur Road Lahore.
Tel#(0423)7524321,7524324,25,7524327
Fax#(042)7524331

Walton Road Branch (Lahore)

Plot 48-E Super Town, Walton
Road Lahore, Cantt.
Tel: (0423)6603701-2
Fax : - (0423)6625849

Darogha wala gate Branch (Lahore)

326 G.T.Road(Link Shalimar Road)
Tel# (0423)6530512-16
Fax# (0423)6530517

Badami Bagh Branch (Lahore)

23-peco Road Badami
Bagh Lahore.
Tel#(0423)-7723865-68,7723881
Fax#(0423)-7723882

Akber Chowk (Lahore)

883-D, Peco Road, Akber Chowk, Lahore.
Tel#(0423)5221731-37
Fax#(0423)5221738

Airport Road Branch (Lahore)

Plot no 595/8, Airport Road,
Lahore Cantt , Lahore
Tel # (0423)5741536-39
Fax : -(0423)5741540

Johar Town Branch (Lahore)

M-Block, Johar Town, Lahore
Tel: (0423)5315710 -16 / 5315722-23
Fax : -(0423) 5315711

Abdali Road Branch (Multan)

Nawan Shaher Abdali Raod,
Multan, Pakistan
Tel:(061)-4540350-56
Fax: (061)-4540357

Gulgsht Branch (Multan)

Jalal Masjid Chowk,
Multan Saqib, Masood C.S.M
Tel:(061) 6210371-5
Fax : -(061)6210376

Bhawalpur Branch

Block No. 915, Circular Road
Bahawalpur.
Tel:(062)- 2732235-38
Fax :(062)2732240

Rahimyar khan Branch

Model Town Branch 21-A, Model Town,
Rahim Yar Khan, Pakistan.
Tel:(068)-5886972-77
Fax:(068)-5886978

Mainwali Branch

Mouza urra khel Pacca, Main Sargodha
Road, Mianwali
Tel# (0459)237531
Fax# (0459)237532

Susan Road Branch (Faisalabad)

Plot No S-8 Madina Town Main
Susan Road Faisalabad.
Ph: (041)-8728626-8, 8728631-08-31
Fax: (041)-8728671

Jhang Branch

95-A College Chowk
Jhang.
Tel: 047-7651401-05
Fax: 047-7651406

Vehari Road Branch (Multan)

Vehari Road
Multan.
Ph: (061)-6761900-6
Fax: (061)-6761907

Sargodha Branch

65/2 Railway Road
Sargodha.
Tel: 048-3768264-68
Fax: 048-3768269

Mian Channu Branch

Ghazi Mor G.T Road Mian
Chunnu
Tel: (065)-2664001-8
Fax: (065)-2664008

Sahiwal Branch

418 High Street
Sahiwal. Tel No#.(040)-4228284-88,
4467688,4461688
Fax# 040-4462688

Gujranwala Branch

Gujranwala BX-11-75-7S-10+12, GT Road,
Gujranwala, Pakistan.
Tel: (055) 3820511-16
Fax: (055) 3820517

Gujrat Branch

Danish metal works SIE-1 Gujrat
Tel: (053)358010-13-3535555
Fax#(053) 3538016

D.G. Khan Branch

Jampur Road Dera Ghazi Khan
Tel#(064)2473201-07
Fax#(064)2473208

Okara Branch

69/1 M.A.Jinnah Road
Okara.
Ph:(044)-2522901-6
Fax: (044)-2552907*

Sadiqabad Branch

Plot No 1 & 2 Allama Iqbal Road
Opp Jhalla Mandi Sadiqabad.
Tel: (068)-5700594-7, 068-5800591-3-5
Fax:(068)-5800598

Kashmir Road Branch (Sialkot)

B-III-116/99/2 Kashmir Road
Sialkot.
Tel:(052)-4270419-20, 4270429-30,4270439-40
Fax# 052-4270426

Jail Road Branch, (Lahore)

Plot No. 5 A,House # 5
Near EFU House Jail Road,
Lahore Fayaz C.S.M
Telephone:(042)-5790571-88
Fax : (042)-5790573

Jehlum Branch

B-VIII-2-5-13 Tehsil Road Jehlum
Tel: (0544)-620503-4-8-84-88
Fax:(05440)-620498

Turnol Sub Branch, Islamabad

Muhammad Ayub Plaza
Main G.T Road
Turnol, Islamabad
Telephone: (051)-2217021-22
Fax: (051)-2217022

Satellite Town Branch (Rawalpindi)

69/B, 4th Road, Satellite Town,
Rawalpindi, Pakistan.
Tel: (051)-4572001-4
Fax: (051)-4572005

Saddar Branch (Rawalpindi)

Compound bungalow, No-60
Bank Road Cantt Rawalpindi.
Tel# (051)-5120380-84
Fax# (051)-5120385

Chaklala Scheme III Rawalpindi

Building Plot# 111, Commercial Bazar
Chaklala Scheme no 3 Rawalpindi.
Tel#(051)5766140-43
Fax#(051)5766144

Taxila Branch

Khasra No,1242,1243 Khatooni No 1770
Moza Ghel, Faisal Shaheed Road Taxila.
Tel: (051)4535055-58
Fax: (051) 4534985

Hazro Branch

Hazro Sub Branch Raitla
Mandi Road
Tel: (057)2310048-512310012-4
Fax: (057)-2310019

Chakwal Branch

Khasra # 4516 Jhelum
Road Chakwal.
Tel#(0543)552739,42,44,45,56
Fax#(0543)552760

TATRAL KAHUN

Khasra No.555, Khewat No.561,
Tatral Kahun, Tehsil Choa Saidan Shah,
District Chakwal.
Phone: (0543)582475 to (0543)582477
Fax: (0543)582478

ISLAMABAD & AZAD KASHMIR

Blue Area Branch, Islamabad

Blue Area Branch
5-6, Chenab Center, Block-104-E
F-7/G-7, Jinnah Avenue
Telephone: (051)-2804271-74
Fax : (051)-2804275

I-8 Branch (Islamabad)

Plot No 24 Executive Centre I-8
Markaz Islamabad.
Tel# (051)-4861017,4861029,4861117-18,
4861038 Fax# (051)-4861060

I-9 Branch (Islamabad)

Plot No-2 E, I-9 Markaz
Islamabad.
Tel# (051)-4858403-08,4445851
Fax(051)-4445852

Mirpur Branch (Azad Kashmir)

Plot No # 2- B/3 Sub Sector A/2
Mian Muhammad Road Kashmir.
Tel: (05827)439700-04
Fax: (05827)-39705

Wah Cantt. Branch

A-12, Shahwali Colony, Mall Road,
Wah Cantt,
Tel: (051) 4539046-7
Fax: (051) 4539044

Islamgarh Branch (Azad Kashmir)

Ground Floor Main Kotli Road,
Islam Garh Tehsil Distric Mirpur(AJK)
Tel#(05827)423971-77
Fax#(05827)43977

F-10 Islamabad

Plot- No 06-C Markaz F-10 Islamabad.
Tel#(051)2222961-65
Fax#(051)2222966

KHYBER PAKHTUNKHWA

BOONI

Booni Bazar, Village & P.O Booni,
Thesil Mastaj, District Chitral.
Phone: 0943-470812-15
Fax: 0943-470816

MINGORA (Swat)

Madain Road, Mingora Sawat,
District Sawat.
Phone: 0946-710386-88, 91
Fax: 0946-710395

BATKHELA

Main Bazar Batkhela, Tehsil Sawat Ranizai,
District Malakand.
Phone: (0932) 412521- 24
Fax: (0932) 412525

TIMERGARA

Gurguri Chowk, Balambat Road, Timergara,
District Dir lower.
Phone : (0945)825607-9
Fax: (0945)825610

CHILLAS

Main Bazar, DC Chowk, Ranoi Road,
Chillas, District Diامر.
Phone : (05812)450421 -24
Fax: (05812)450425

BALAKOT

Plot, Khasra No.3626/1046, Moza Balakot,
Tehsil Balakot, District Mansehra.
Phone: 0997-500701-0704
Fax: 0997-0500705

Haripur Branch

Circular Road Haripur.
Tel#(0995)613570-73
Fax#(0995)613574

Dera Ismail Khan Branch

Circular Road Dera
Ismail Khan.
Tel#(0966)715018-2
Fax#(0966)715021

Khyber Bazaar Branch, Peshawar

Shop No. 6 & 7
Haji Khan Building
Ph (091) 2590341-7
Fax: (091) 2590348

Mansehra Branch

Swati Arcade, Abbottabad Road,
Tehsil & District Mansehra
Tel: (0997)-307761-4
Fax:

Abbottabad Branch

Business Complex
Amir Shaheed Road Abbottabad.
Tel: (0992)-343956-63
Fax: (0992)-343964

Gilgit Branch

Askari Bakers Gilgit Cantt
Tel:(05811)-457832-6
Fax:(05811)457837

Jamrud Road Branch (Peshawar)

Near Hotel Grand, Jamrud Road,
Peshawar, Pakistan.
Tel: (091)-5711482-4
Fax: (091)-5711489

Chitral Branch

Main Shahi Bazar
Chitral
Tel# (0943)-414501,414530,414550
Fax# (0943)-414580

MARDAN

Shop No. 412, 412A, 413, Bank Road
Mardan Cantt, Mardan.
Phone : (0937)876430 to (0937)876432
Fax: (0937)876433

BESHAM

Plot Khasra No.583, Moza Butyal,
Main Road Besham, Tehsil Besham,
District Shangla.
Phone : (0996)400670 to (0996)400673
Fax : (0996)400674

BALOUCHESTAN

KHANOZAI

Khasra No.1533, Khatooni No.143,
Khewat No.135, Mutation No.472,
Moza-e-Tappa, Khanozai, District Pishin.
Phone: (0826)427250, 251, 253
Fax: (0826)427254

QUETTA- SHAHBAZ TOWN

Plot No.7, 1st Street, Shahbaz Town,
Phase IV, Samungli Road, Quetta,
Phone: 081-2827037,041, 51, 59
Fax: 081-2827074

QUETTA- GAWALMANDI BRANCH, QUETTA

Gawal Mandi Chowk, Quetta.
Phone : 0812-834430, 37, 38, 39
Fax : 0812-834434

SATTELITE TOWN SUB BRANCH, QUETTA

Shop No. 3, Dead Karez, Opposite Old Bus Adda,
Satellite Town, Quetta,
Phone : (0812)448701 to (081)2448704
Fax: (081)2448705

Chaman Branch

Trench Road,Chaman.
Tel: 0826-618032-37
Fax: 0826-618038

Zhob Branch

Market Road BranchZhob.
Tel: (0822)-412130-31
Fax:0822-412136

Loralai Branch

Bhagi Bazar Branch, Loralai.
Tel #: (0824)661696-661701 Fax 082-4661701

Airport Road Branch (Quetta)

Airport Road Quetta Alam Khan
Chowk Airport Road Quetta.
Tel: 081-2864627-29, 081-2840114,
081-2840121 Fax: 081-2840135

Kucklak Branch (Quetta)

Chaman Raod Quetta
Quetta
Tel:081-2891591-2 Fax 081-2891580

Muslimbagh Branch

Muslimbagh , Baluchistan
Tel: (0823) 669823-29 Fax0823-669830

Iqbal Road Branch (Quetta)

Shop No 605 Khewat No. 200 Khatooni No 234
Ward No 18 Urban No 1 Sharah-e-iqbal Quetta
Tel: 081-2866510-13-36
Fax: 081-2829739

Jinnah Road Branch (Quetta)

Jinnah Road Quetta,
Pakistan.
Tel: 081-2821743-28-46 Fax (081)2821650"

Qila Saifullah Branch

Main Junction Road Qila Saifullah
Tel : (0823) 610895,610804-05
Fax: (0823) 610806

Pishin Branch

Pashin Branch Bund Road Opp
Madina Hardware, Pashin
Tel: 0826-421384 Fax082-642187

Dukki Branch

Address: Masjid Road, Dukki, Baluchistan.
Tel#: (0824)667301-05
Fax#: (0824)667306

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PROXY FORM

9th Annual General Meeting

The Company Secretary
BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block – 4, Clifton
Karachi – Pakistan.

I/We _____ of _____ being a member(s) of
BankIslami Pakistan Limited and holder of _____ ordinary shares as per
Share Register Folio No. _____ and / or CDC Investor
Account No./Participant I.D. No. _____ and sub Account No. _____ do
hereby appoint _____ of _____
or failing him / her _____ of _____ as my/our proxy to vote
and act for me / us on my / our behalf at the 9th Annual General Meeting of BankIslami Pakistan
Limited, to be held on Saturday, March 30, 2013 at 8:00 am at Hotel Regent Plaza, Shakra-e-Faisal,
Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2013

Witness:

Name: _____

Address: _____

Signature of Member(s)

CNIC or Passport No. _____

Notes:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

Please affix
correct
postage

The Company Secretary

BankIslami Pakistan Limited

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

New cities added in 2012

Booni Tando Adam
Mardan Batkhela SwatKhanozai Timargara
Kamoki Lala Musa Chilas
Balakot Tatal Kahun
Murree Attock
Khanpur Gharo
Ghotki Beesham

A beautiful image of Paradise Point- Karachi.
Courtesy Mr. Anwer A.Sheikh



BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block-4, Karachi, Pakistan.

Tel: (92-21) 111-247-111 (111-BIP-111) Fax: (92-21) 3537 8373

www.bankislami.com.pk