

**ANNUAL REPORT**  
**2011**

**Zarai Taraqati Bank Limited**





**Rohi R. Khan**  
Acting President/CEO



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## Vision

Dedicated to serve the needs of the farming community, by delivering financial products and technical services on a competitive and sustainable basis, in a convenient, efficient and professional manner, leading to success of the Bank and the farmers.

## Mission

To play effective role in the promotion of economic growth by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programmes, technical assistance and other products & services and to promote career development opportunities for increasing professionalism and technical proficiencies of employees.

## Core Values

- Loyalty to ZTBL Vision and Mission
- Integrity and Meritocracy
- Quality and Efficiency
- Well-Trained Human Resource
- Credit with Technology

 ABOUT COMPANY'S **TEAM** 





**Mr. Muhammad Zaka Ashraf**  
Director



**Mr. Sultan Ali Chaudhry**  
Chairman



**Ms. Roohi R. Khan**  
Acting President / CEO, ZTBL



**Ms. Nazrat Bashir**  
Director



**Mr. Zafar Iqbal**  
Director



**Mr. M. Yaqoob Vardag**  
Director



**Dr. Amir Muhammad**  
Director



**Mr. Muhammad Iftikhar Khan Mohmand**  
Director



**Mr. Abdul Wajid Arain**  
Director



**Mr. Mahmood Nawaz Shah**  
Director



**Dr. Khalid Ahmad Khokhar**  
Director



**Mr. Muazam Ali**  
Company Secretary



## Directors' Review



### Directors' Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2011.

#### 2011, Year of Golden Jubilee

2011 was Golden Jubilee year of the Bank. The Bank celebrated its Golden Jubilee in a grand ceremony in the Presidency where His Excellency Mr. Asif Ali Zardari, the President of Islamic Republic of Pakistan graced the occasion.

In his remarks, Mr. Muhammad Zaka Ashraf, President ZTBL said that during the last three years the Bank has witnessed the highest ever disbursements, recovery and consistent profit. For the first time in the history of the Bank, about Rs.3 billion have been contributed to the exchequer in the form tax. He said the Bank is working to help farmers in getting new technologies and the bank is introducing new services for its customers.

The President ZTBL said that the Bank has made

impressive improvements in providing credit to agriculturists and landless rural poor since its creation as during the year 1960-61 total loans disbursed to the farmers were just Rs.65 million, recoveries were only Rs.17 million and the net profit was just Rs.0.3 million whereas, at the end of year 2010 total loans disbursed to the farmers stood at Rs.70 billion, while total recoveries were Rs.72 billion and the Bank was able to fetch deposits of Rs.10 billion and net profit of Rs.1.8 billion. ZTBL in year 2009 made record disbursements of Rs.78 billion with a net profit of Rs.2.1 billion. Besides, ZTBL has also taken new initiatives for development of agriculture like dissemination of high yield technology to bridge yield gaps in all major and minor crops, introduction of hybrid seeds for maximum economic yield in crops and vegetables, introduction of suitable olive varieties recommended by research institutes, training of farmers in plant nutrition, plant protection and post-harvest handling, modernization of dairy practices and techniques along with promotion of Artificial Insemination and Embryo Transplant Technology.

His Excellency Mr. Asif Ali Zardari, the President of Islamic Republic of Pakistan in his address, said that the progressive farmers and agriculture

departments should work together to transfer new technologies to small and medium farmers to boost per acre yield. He said the government will continue the policies supportive of farmers to ensure national food security and make Pakistan a food basket for the region.

The Honorable President of Pakistan called upon the government departments to look into the need for giving mandate and autonomy to ZTBL to interact and negotiate with international donors to augment its efforts for the uplift of agriculture. The President of Pakistan appreciated the services of Mr. Muhammad Zaka Ashraf, President ZTBL for successfully turning the Bank into a profit earning institution.

## Economic Review

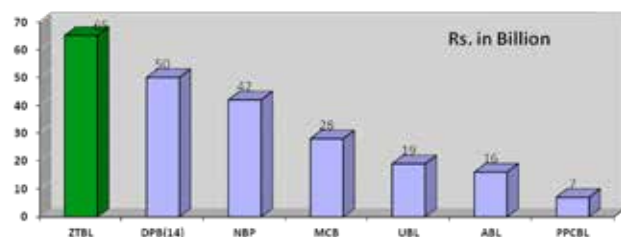
Pakistan's economy was adversely affected by devastating floods, power shortages, security situation, rising oil prices in international markets and the global economic recession. One-fifth of the country's agricultural heartland was inundated, which interrupted production processes and disrupted the subsequent supply of both labor and capital. It is estimated that capital stock worth US\$ 2.6 billion (1.2 percent of GDP) was lost. A spontaneous community effort towards rehabilitation and government support in the form of cash payments to flood affectees and providing free seeds and fertilizers, allowed the country to overcome this natural disaster. The economy managed to grow by 2.4 percent on the back of service sector growth of 4.1% and agriculture sector growth of 1.2% in FY11, against 3.8% of last year and target of 4.5%.

The inherent resilience of the agri sector allowed it to post a bumper wheat crop in the Rabi season showing a growth of 3.9% and sizable production of minor crops (potatoes, onion, pulses, etc.) with a growth rate of 4.8%, livestock sector growth of 3.7% and growth of 12% in sugarcane production spearheaded the revival in agriculture sector which posted an aggregate growth of 1.2 percent (double what had been posted in FY10, 0.6%). Rice production has decreased from 6.88 million tons in 2009-10 to 4.82 million tons in 2010-11, showing a decrease of 29.9 percent. Cotton production has decreased from 12.91 million bales in 2009-10 to 11.46 million bales in 2010-11, showing a decrease

of 11.3 percent.

## Operational Review of the Bank

ZTBL, being the major credit provider to agriculture sector persistently augments Government efforts to achieve self-sufficiency in food and marketable surplus. Despite unfavorable scenario the Bank has remained the lead Banker in institutional agriculture credit lending as ZTBL alone disbursed Rs.65.36 billion out of total country's agricultural credit disbursement of Rs.263.02 billion during FY10-11.



\*(DPB) Domestic Private Banks \*(PPCBL) Punjab Provincial Cooperative Bank

## Disbursement

During the calendar year 2011 the Bank disbursed an amount of Rs.65,452 million against Rs.69,561 million disbursed in the corresponding period of last year showing a decrease of 5.9% due to slow off take of credit in the flood/rain affected areas.

The Bank served 432,834 borrowers through various schemes including Zarkhaiz (One Window Operation), Sada Bahar Scheme, White Revolution Scheme, Benazir Tractor Scheme, Awami Zarai Scheme and Rural Development Scheme. The Bank channelled bulk of its credit to small farmers who constitute backbone of the agriculture sector of the country.

The Bank focused on increase in farm production by exploiting the full potential of land resources with appropriate use of agricultural inputs, tillage practices and water management techniques, and channelled major portion of its funds towards production loans. This is evident from the disbursement of Rs.58,267 million made for production purpose during this year as compared to Rs.56,867 million disbursed during last year exhibiting a growth of 2.5%.

During the period under review an amount of

Rs.7,185 million constituting 11.0% of the total agricultural credit for development loans which was mainly utilized for dairy farming, purchase of tractors and installation of tube-wells. An amount of Rs.5,093 million was disbursed for dairy farming and the Bank financed 908 tractors with a total disbursement of Rs.431 million and 1,745 tube-wells with total disbursement of Rs.476 million. The summary of Bank's operations is given below:-

#### Year-wise Disbursements

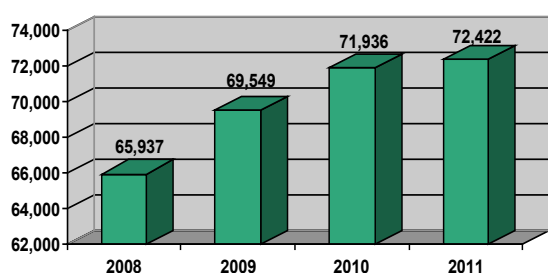
Break-up	2008	2009	2010	2011
Total Disbursement	70,698	77,680	69,561	65,452
a. Production Loans	58,524	61,716	56,867	58,267
(Ratio)	(82.8%)	(79.4%)	(81.75%)	(89.0)%
b. Development Loans	12,174	15,964	12,694	7,185
(Ratio)	(17.2%)	(20.6%)	(18.25%)	(11.0)%
Share of Small Farmers (Up to 25 Acres)	61,105	67,992	61,174	58,066
(Ratio)	86%	88%	88%	89%

#### Recovery Operation

Due to efficient recovery operation, during the Calendar Year 2011, ZTBL has achieved recovery of Rs.72.422 billion as against Rs.71.936 billion recovered during corresponding period of last year with an increase of Rs.0.486 billion showing growth of 0.7%. The overall recovery rate was 90.3% as against last year recovery rate of 89.6% which is 0.7% plus.

#### Year-wise Recovery

2008	2009	2010	2011
65,937	69,549	71,936	72,422



#### Human Resource Development

During the whole year the main theme remained as motivation and mobilization of human resource to bridge long outstanding skill gaps for bringing efficiency in the operations of the Bank and to meet regulatory requirements. Following the strategy of enhancing the capabilities and competencies of existing human resource coupled with fresh blood at various level of management, 313 persons were recruited in various fields and 2200 employees were imparted various trainings in Bank's staff college and 111 employees were nominated for training in various institutes of the country.

#### Expansion of outreach/business

During the period under review four zonal offices and four new branches were opened to ensure availability of greater outreach to the local farming community of the area. Hajj and utility bills operations were further extended. Against the target of 6,000 hajj applications, 7,055 applications were received and 818,556 utility bills were collected against the target of 700,000. Home remittance facility arrangement has been made with M/s Western Union which will help in serving the farming community due to our extensive branch network and the Bank will generate free cost deposits. This facility has been made operational in 6 branches and will be further extended to all the branches in phase-wise manner.



#### Technology Dissemination

In line with Government strategy for development and modernization of agriculture sector and motto of the Bank "Technology for Agriculture", the bank has further strengthened its Technology Division

by establishing four Provincial Technical Units for Technology Transfer. Baseline survey has been completed in Model Villages and demonstration plots on various crops were established and Community Based Originations (CBOs) have been formed. Supply of breeder seed of promising wheat and sugarcane varieties provide to the farmers of model villages for further multiplication. Climate Change Department is working on promotion of bio-gas plants and solar energy technologies in various villages to reduce green house gases and burden on national grid. So far 11 bio-gas units have been installed in Model villages and Kissan Khushali Scheme for Naudero Tehsil has been launched. Vendors and supplier dealing in Drip Irrigation have been identified. Directory of seed suppliers and catalogue of farm machinery manufactures located in four provinces has been prepared for circulation to all branches for onward dissemination to our farming community. The Bank also provided training for introduction of Tunnel Farming for off season vegetables and flower cultivation.

## IT Up-gradation

To improve transparency and efficiency in Bank's operations, the process for acquisition and implementation of modern Information and Communication Technology (ICT) infrastructure continued during 2011. The Centralized Deposit Management System (CDMS) has been introduced to move towards Real Time/Online banking facilities. As of 31 December, 2011, 7 branches were Live using CDMS. Implementation of virtualization technology at Data Centre has saved an amount of Rs.6,750,000/-. The duration of IT Operations has been increased from 08 hours to 16 hours, and will be enhanced to 24x7 during 2012, to ensure improved support to field functionaries. The Bank's wide area network has been converted in 157 branches to a high speed, dedicated and secured PTCL-VPDN network.

## Up-gradation of Risk Management/ Credit Administration functions

With a view to improve the risk management framework in line with SBP's guidelines and prevailing banking industry practice, the Credit Administration and Risk Management Departments were established in 2009. These have now

been merged into a Division named as Credit Administration and Risk Management Division. This setup will bring about improvement to effectively manage working of the risk management and credit administration functions at the organizational and field levels. A Board Risk Committee and an internal Risk Management Committee have been set up to address issues relating to risk management process at the Bank. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control as well as to comply with Basel-II standards. In order to improve the data and reporting requirements of the risk management, Bank's indigenously developed MIS called 'dynamic integrated management information system (DIMIS) has been enhanced to accommodate specific / tailored reports for Risk Management Department.

As per the guidelines of SBP, risk management department developed an ORR(Obligor Risk Rating) model keeping in view the specific business and operational requirements of the Bank. By the year ending 2011 over one million borrowers (obligors) have been assigned risk ratings and their data is displayed at eCIB (electronic Credit Information Bureau) of SBP regularly.



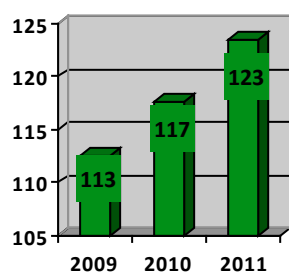
## Financial performance of the Bank

Despite all constraints, there has been a growing trend in the total assets and equity of the Bank due to consistent profitability of the bank in the last 3 years. As a result the Bank's Capital Adequacy Ratio (CAR) as at December 31, 2011 was 25.72% as against required ratio of 10% and industry average of 14%. The Bank earned pre tax profit of Rs.3,277 million and classified loan were provided for as per SBP Prudential Regulations during the period under review. The Bank was able to mobilize up to Rs.8,962 million as on 31.12.2011 in terms of deposits.

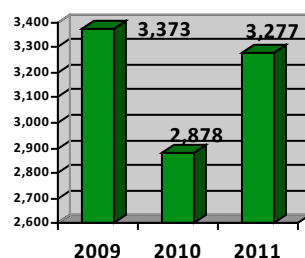
ZTBL Financial highlights are summarized below:-

Particulars		2009	2010	2011
1.	Total Assets	112,619	117,586	122,468
2.	Advances – net	81,974	84,793	84,744
3.	Cash & Bank Balance	11,891	13,662	14,233
4.	Operating Fixed Assets	1,070	1,132	1,167
5.	Share Capital	12,522	12,522	12,522
6.	Deposits	8,751	9,603	8,962
Appropriations				
	Profit/(Loss) before Taxation	3,373	2,878	3,277
	Taxation	1,246	1,014	1,132
	After Tax Profit/(Loss)	2,127	1,864	2,145
	Un-appropriated Profit brought forward	3,263	4,964	6,456
	Profit available for Appropriation	5,390	6,828	8,601
	Transferred to Statutory Reserve (20% of after tax profit)	425	373	429
	Un-appropriated Profit Carried forward	4,964	6,455	8,172

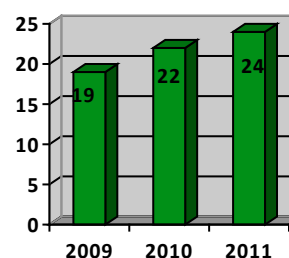
■ Total Assets (Rs. Billion)



■ Profit Before Tax (Rs. Million)



■ Equity (Rs. Billion)



## Capital

The paid up capital as on 31.12.2011 was Rs.12,522 million against authorized capital of Rs.25,000 million. Pattern of share holding as at 31.12.2011 is annexed.

## Earnings per Share

During the year under review basic earnings per share was Rs.1.713 compared to Rs.1.489 in 2010. Its computation has been reported in the financial statements.

## Credit Rating

JCR-VIS Credit Rating Company, Karachi in its report has reaffirmed credit rating of the Bank at AAA/A-1+ (2010:AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short term credit rating of B. (2010, B+ medium to long term, B short term rating).

## State Bank of Pakistan (SBP) Debt Pricing

The total outstanding borrowings from State Bank of Pakistan stood at Rs.51,257 million and subordinated debt at Rs.3,204 million as on 31st December, 2011. Efforts are being made to restructure this debt in such a way that mark up burden on account of such debt is manageable and debt retirement can be made in reasonable period. For this negotiation with SBP and GOP continues.

The Government of Pakistan reduced the markup rates on Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. July 01, 2004. As per directive of the Bank's Board of Directors, the Bank has requested Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rs.26,904 million for the period from July 01, 2004 to December 31, 2011. However, this amount has not been accounted for in the accounts as the formal approval from Ministry of Finance has not been received by the Bank.

## Corporate Social Responsibility

ZTBL is committed to fulfill its role towards corporate social responsibility and will continue to respond in every possible manner to alleviate the adversity being faced by our countrymen. Employees of Zarai Taraqati Bank Ltd (ZTBL) contributed from their salaries and distributed relief goods worth Rs.7.2million among 8000 flood affected families.

Efforts are being made to enhance per acre yield of crops and also to encourage use of alternative sources of energy like solar and wind. To disseminate and transfer latest Agriculture Technology, various demonstrations/exhibitions were arranged in model villages. To give relief to the borrowers of rain/flood affected area, the borrowers have been allowed relief of write-off/remission of Rs.1.136 billion in the year under review.

## Future Outlook

The main thrust of the Bank's operational activities is towards modernization of agriculture to increase farm productivity and generate rural self employment thereby contributing towards alleviating poverty while focusing on small farmers and rural poor. Due to a large client base and nation-wide spread and to serve the small farmers efficiently, the Bank is planning to improve its systems through up-gradation of IT. The following initiatives have been added to Information System Division (ISD) Work Plan for 2012.

- Enhancement of CDMS to incorporate all loans management related functions.
- Convert another 200 branches to CDMS
- Data Cleansing of legacy system
- Establishment of five (5) "Support and Training Centers"
- Pilot project of "Thin Client" computing
- Extend VPDN outreach by another 100 branches

To disseminate and transfer Agriculture Technology, Model villages in each Zone are to be established for demonstrating various agricultural technologies and to serve as a role model for the surrounding farming communities. In line with the recommendations of Revamping and Restructuring study of ZTBL, FM Radio service is planned to be established at 5 locations, with the objective to disseminate agricultural information regarding new



technologies, improved production techniques, marketing, climate and other related topics. Increased lending will be made for introduction of new technologies in Agriculture sector such as small harvesters, Aerobic Rice cultivation, tunnel farming, sugar-cane planters/harvesters, biogas, solar energy system. Lending for sprinkler and drip irrigation system is to be encouraged in potential areas to address the shortage of water and to improve the yield of crops.

It has been planned to increase crop productivity through farm mechanization and development of dairy, poultry, fisheries and livestock sector to reduce poverty in rural areas. Increased lending is to be made for sunflower, maize, soybean, canola to reduce dependency on import of edible oil. In collaboration with Agri. Business Support Fund (ASF) and Small and Medium Enterprises (SME) Business support Fund, improvement in post harvest practices and marketing of fruits/vegetables through grading, packaging and refrigerated cargo transportation is to be made. ZTBL plans to cultivate 10 herbs at ZTBL Farm for test and trail purposes and further promotion. These plants are currently being imported in sizeable quantity by Hamdard, Qarshi, Herbion and Ashraf Laboratories from India and China. Two MOUs are in process of negotiation with Punjab Water Management for provision of Drip and Laser Leveler to the farmers and the other with Punjab Agricultural Department for installation of Biogas to 1500 farmers to be recommended by ZTBL. Both projects will provide 50% subsidy to the farmers.

To have more lending leverage, fostering relationship with international donors agencies for grants/soft loan are being explored for processing/value addition of agriculture produce related-projects. To capture the untapped market, launching of Islamic banking has been planned in line with SBP's guidelines.

Access to financial services is a major issue for people living in rural area. To extend our outreach and to serve the farming community more affectively, 34 new branches are to be opened and 30 branches will be re-allocated at better locations in year 2012. Home remittance facility will be extended to 98 more branches which will help the farmers in far flung areas.

The GoP decision of removal of lending cap in

October 2011, will have positive impact on the profitability of the Bank and will also allow leverage to the bank to generate its own resources through deposit mobilization on competitive rates. To utilize Bank's funds in a more remunerative way and to bring efficiency in operations, the Bank will Insha'Allah have a full fledged treasury setup in 2012. This will help in the liquidity management and will also enhance the profitability of the bank.

## **Risk Management Framework**

ZTBL has established a robust risk management structure at the organizational level which encompasses a broader framework of board/internal committees, a division, a department and three units which are responsible for each type of risk. With a view to effectively monitor and implement credit risk appraisal and administration process especially at the field level, a division comprising credit administration process especially at the field level, a division comprising credit administration and risk management department has been established. The division is independent of business and operations of the Bank and the head of the division directly report to the Chief Operating Officer/President. A separate unit for Basel-II has been established in the risk management department to comply with Basel-II compliance in a timely manner.

## **Risk Management Policy and Charter**

The risk management policy of the Bank encompasses a broader risk management framework of the Bank. Credit portfolio, disbursement, recovery, NPL & SAM are critically analyzed on a regular basis and risk gaps are reported to the Internal Risk Management Committee proposing appropriate steps to eliminate/minimize the risk gaps. Similarly in order to analyze issues related to operational risk, an Operational Risk Model has been developed which comprises Key Risk Indicators (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Internal Risk Management Committee for corrective measures. The proceedings of the Internal Risk Management Committee are presented to Board Risk Management Committee. Moreover, the Bank

is implementing risk functions in a more systematic and integrated way like Credit Risk, Market Risk, Liquidity Risk and Operational Risk etc.

## Corporate and Financial Reporting Framework

The Board is fully aware of its responsibilities established by the code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The directors are pleased to give following statement in respect of compliance with the Code of Corporate Governance.

- i. The Bank's financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, changes in equity and cash flows.
- ii. Proper books of accounts of the Bank have been maintained.
- iii. Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- v. The current system of internal control is under constant review by the internal audit department, as are other systems and procedures. This vigilance will continue and identified weakness in controls will be remedied expeditiously.
- vi. Based on the results of December 31, 2011, the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited.
- viii. Key operating data and financial data in summarized form, are included in this Annual Report.

- ix. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2011 except as disclosed in these financial statements.

## Statement of Internal Control

The Bank is placing increasingly greater emphasis on induction of an effective and reliable system of internal controls:

- i. An Audit Committee of the Board has been constituted with the objective of having a direct oversight responsibility to ensure independence of the internal audit functions and also the independence of external auditors. The Audit Committee meets at least once every quarter in accordance with Code of Corporate Governance.
- ii. In accordance with the provisions of the Code of Corporate Governance, the Internal Audit Division with functional reporting to the Audit Committee of Board of Directors is functioning in ZTBL.
- iii. The Bank's Internal Audit Division through its network, audits each branch of the Bank on periodic basis.
- iv. The management proactively pursues the rectification of the observations and weaknesses pointed out by internal and external auditors.
- v. The compliance function has been strengthened to augment internal monitoring and control for improving the effectiveness of Bank's policies and procedures. Compliance Review Program (CRP) is operative in large branches having substantial loan portfolio. Branch Compliance Officers have been posted in the selected branches carrying heavy lending portfolio to review the Bank operations on daily basis.
- vi. In the wake of emerging new auditing techniques, to build capacity and improve quality of audit, a comprehensive training program for all audit personnel was arranged in 2011.
- vii. For prompt and timely remedial/preventive measures/actions, a special incident report has been introduced. Major irregularities in

the operational activities of the Branches are highlighted and promptly brought to the notice of the Management for action/rectification.

viii ZTBL is duly observing compliance with the requirements and timelines of Staged Roadmap for implementation of SBP Internal Control Guidelines. The Bank has adopted internationally accepted COSO Internal Control - Integrated Framework for overall set of Internal Controls for ensuring compliance with the SBP Guidelines. M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants were engaged with the bank through Project Management Office for completion of the deliverables in line with scope of work agreed with them. The significant part of SBP Roadmap

as required vide BSD Circular No.05 of 2009 dated 24th February, 2009 has been completed with the consultation of M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants. It is expected that External Auditors shall provide a long-form Review Report on ICFR in the year 2012.

In view of the above, there is a reasonable assurance that internal controls are in place and the key aspects are working.

### Board meetings

Seven meetings of the Board were held during the year 2011. Attendance of the members remained as under:-

S.No.	Name of Member	Designation	No. of meetings attended
1	Mr. Sultan Ali Chaudhry	Chairman	7
2	Ms.Roohi R.Khan*	Acting President/ CEO, ZTBL/ Director	2
3	Mr.Abdul Wajid Arain	Director	7
4	Dr.Amir Muhammed	Director	5
5	Dr.Khalid Ahmad Khokhar	Director	7
6	Mr.Khizar Hayat Khan**	Director	2
7	Mr.Mahmood Nawaz Shah	Director	6
8	Mr.Muhammad Iftikhar Khan Mohmand	Director	7
9	Mr.M.Yaqoob Vardag	Director	6
10	Mr.Muhammad Zaka Ashraf	Director	5
11	Ms.Nazrat Bashir	Director	5
12	Mr.Zafar Iqbal	Director	7

\* Replaced Mr.Muhammad Zaka Ashraf, President/CEO, ZTBL

\*\* GOP nominee served from 12th April 2011 to 29th August 2011

## Annual General Meeting

Eighth Annual General Meeting of the Bank was held on December 30, 2011.

Auditors of the Bank

1. M/s Ilyas Saeed & Company, Chartered Accountants
2. M/s Riaz Ahmad & Company, Chartered Accountants

Acknowledgment

The Board would like to thank our valued customers especially the farming community for their valuable inputs to introduce enhanced facilities and new products for their benefit, State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continued guidance and support, our shareholders for their patronage, trust and confidence and our employees for working as a committed team.

On behalf of the Board of Directors

( Roohi R. Khan )  
Acting President/CEO

## ZARAI TARAQIATI BANK LIMITED

### Corporate Information (As on 31.12.2011)

Name:	Zarai Taraqati Bank Limited	
Head Office:	Islamabad	
Legal Status:	A Public Limited Company (By shares)	
Location of Assets:	In Head Office and in Zonal and Branch offices located at various positions across the country	
Authorized Capital:	Rs.25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10 each	
Paid-up capital:	Rs.12,522,440,670/-	
Board of Directors:	Mr. Sultan Ali Chaudhry	Chairman
	Ms. Roohi R. Khan (Acting President/CEO, ZTBL)	Director
	Mr. Abdul Wajid Arain	Director
	Dr. Amir Muhammed	Director
	Dr. Khalid Ahmad Khokhar	Director
	Mr. Mahmood Nawaz Shah	Director
	Mr. Muhammad Iftikhar Khan Mohmand	Director
	Mr. M. Yaqoob Vardag	Director
	Mr. Muhammad Zaka Ashraf	Director
	Ms. Nazrat Bashir	Director
	Mr. Zafar Iqbal	Director
Chief Financial Officer :	Mr. Abdul Ghaffar Bhatti	
Company Secretary :	Mr. Muazam Ali	

## SHAREHOLDING OF ZTBL

SR. NO.	NAME OF SHARE HOLDER	NUMBER OF SHARES	Amount (Rs.)
01	Government of Pakistan	1,251,189,067	12,511,890,670
02	Government of Punjab	292,340	2,923,400
03	Government of Sindh	125,545	1,255,450
04	Government of KPK	71, 740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan	527,500	5,275,000
	<b>Total</b>	<b>1,252,244,067</b>	<b>12,522,440,670</b>

**HIGHLIGHTS OF ZTBL OPERATIONS**

PARTICULARS	Amount (Rs. Million)
<b>A. DISBURSEMENT</b>	
1. TOTAL DISBURSEMENT	65,452
a. Production Loans	58,267
b. Development Loans	7,185
2. TRACTORS FINANCED	
Number	908
Amount	431
3. TUBEWELLS FINANCED	
Number	1,745
Amount	476
4. SHARE OF SUBSISTENCE FARMERS	44,606
5. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	58,066
6. NUMBER OF BORROWERS SERVED	432,834
<b>B. RECOVERY OPERATIONS</b>	
TOTAL AMOUNT RECOVERED	72,422
<b>C. NETWORK OF OPERATIONS</b>	
1. NUMBER OF ZONES	31
2. NUMBER OF BRANCHES	359
3. NUMBER OF MCOs	1,277

## ZARAI TARAQIATI BANK LIMITED BOARD SUB-COMMITTEES

### a. AUDIT COMMITTEE

- |    |                          |           |
|----|--------------------------|-----------|
| 1. | Mr. Zafar Iqbal          | Chairman  |
| 2. | Ms. Nazrat Bashir        | Member    |
| 3. | Dr. Amir Muhammed        | Member    |
| 4. | Dr. Khalid Ahmad Khokhar | Member    |
| 5. | Mr. Abdul Wajid Arain    | Member    |
| 6. | Chief Internal Auditor   | Secretary |

### b. HUMAN RESOURCE MANAGEMENT COMMITTEE

- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Mr. Abdul Wajid Arain              | Chairman  |
| 2. | Dr. Amir Muhammed                  | Member    |
| 3. | Dr. Khalid Ahmad Khokhar           | Member    |
| 4. | Mr. Muhammad Iftikhar Khan Mohmand | Member    |
| 5. | President, ZTBL                    | Member    |
| 6. | Head, Human Resource               | Secretary |

### c. RISK MANAGEMENT COMMITTEE

- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Dr. Amir Muhammed                  | Chairman  |
| 2. | Ms. Nazrat Bashir                  | Member    |
| 3. | Mr. M. Yaqoob Vardag               | Member    |
| 4. | Mr. Muhammad Iftikhar Khan Mohmand | Member    |
| 5. | Mr. Zafar Iqbal                    | Member    |
| 6. | Mr. Mahmood Nawaz Shah             | Member    |
| 7. | Head, Risk Management              | Secretary |

### d. COMMITTEE ON INFORMATION TECHNOLOGY

- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Dr. Khalid Ahmad Khokhar           | Convener  |
| 2. | Mr. Mahmood Nawaz Shah             | Member    |
| 3. | Mr. Muhammad Iftikhar Khan Mohmand | Member    |
| 4. | Mr. M. Yaqoob Vardag               | Member    |
| 5. | Head, ISD                          | Secretary |

### e. COMMITTEE ON REVAMPING & RESTRUCTURING

- |    |                                  |           |
|----|----------------------------------|-----------|
| 1. | Dr. Amir Muhammed                | Convener  |
| 2. | Mr. Mahmood Nawaz Shah           | Member    |
| 3. | Mr. Waheed Ahmad Khan, SVP (CAD) | Secretary |

### f. COMMITTEE ON CREDIT PLAN

- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Mr. Yaqoob Vardag                  | Chairman  |
| 2. | Dr. Amir Muhammad                  | Convener  |
| 3. | Mr. Muhammad Iftikhar Khan Mohmand | Member    |
| 4. | Mr. Mahmood Nawaz Shah             | Member    |
| 5. | Mr. Abdul Wajid Arain              | Member    |
| 6. | Dr. Khalid Ahmad Khokhar           | Member    |
| 7. | Executive Vice President (R&SAM)   | Member    |
| 8. | Executive Vice President           | Secretary |



## STATEMENT OF COMPLIANCES WITH THE CODE OF CORPORATE

### GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2011

This statement is being presented to comply with Code of Corporate Governance (the Code) issued by the Securities & Exchange Commission of Pakistan and made applicable by the State Bank of Pakistan to banks in June, 2002 to the extent of applicability under Prudential Regulation XXIX and BSD No. 15 dated June 13, 2002, for the purpose of establishing a frame work of good governance, to manage the Bank in compliance with the best practices of corporate governance.

1. The Directors of the Board were nominated by the Government of Pakistan. At present all the Directors except Chief Executive Officer/Acting President of the Bank are non-Executive Director
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including Zarai Taraqati Bank Limited.
3. All the Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. One vacancy designated for Ministry of Food , Agriculture & Livestock, GOP (MINFA) arose during the period to transfer of MINFA to provinces. However, Government of Pakistan decided not to recommend any more name as the present number of Board Member was adequate to continue business.
5. Statement of Ethics and Business Practices approved by the Board was got signed from Directors and circulated among all the employees of the Bank for signature.
6. Vision & Mission Statement and Strategic & Financial Plan of ZTBL were approved by the Board. All significant policies have been approved by the Board. The Bank has comprehensive framework of written policies and procedure on all major areas of operations. Policies are reviewed on need basis.
7. All the powers of the Board have been duly exercised and Board has taken decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the President.
8. The meetings of the Board were presided over by the Chairman. Written notices of the Board meetings along with working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. Orientation course for the members was held during the year.
10. Positions of Chief Financial Officer, Company Secretary and Chief Internal Auditor remained intact under due approval of the Board.
11. The Board has set-up an effective internal audit function on full time basis.
12. The Director's Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Bank were fully endorsed by the Acting President and the Chief Financial Officer before approval of the Board.
14. The Directors, President and Executives do not have any interest in the shares of the Bank.
15. The Bank has complied with all the corporate and financial reporting requirements of the code except publication of quarterly financial statements for the period ended September 30, 2011 and holding Board meeting in 1st quarter. Further publication of quarterly financial statement for the first quarter ended March 31, 2011 and half

yearly financial statements for the six months period ended June 30, 2011 were arranged within the extended time period allowed by State Bank of Pakistan.

16. Audit Committee of the Board comprised of five non-executive Directors including Chairman of the Committee.
17. The meetings of Audit Committee of the Board were held at least once in every quarter and 3rd quarter. Six meetings of the Audit Committee were held during the year. The terms of reference of the Committee are formulated and advised to the Committee for compliance. Important points arising out of audit are reviewed by the Board Audit Committee and points requiring attention are brought to the notice of the Board by the Audit Committee.
18. The statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accounts (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The Statutory Auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions entered during the year were at arms length basis during the period and these have been placed before the Audit Committee and the Board of Directors.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Dated: 08-05-2012  
Place: Islamabad

**(ROOHI R. KHAN)**  
Acting President/CEO



**ZTBL**

**REVIEW OF OPERATIONS**



## Review of Operations

ZTBL is proud to be the largest financial institution in the rural sector of Pakistan's economy. The Bank continued to operate as the prime financial institution catering to the credit needs of agriculturists for the production, development and modernization of agriculture as well as promotion of non-financial sector.

The Bank is currently passing through the exercise of revamping/restructuring phase so as to serve as a catalyst for the agriculture sector in a more effective and yielding manner aiming at delivering high quality, viable and timely financial and non-financial services to a greater number of clientele so as to increase its outreach on self-sustainable basis.

The Bank has been playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling growers, particularly the landless poor and small landowners to increase their farm produce and income. ZTBL alone serves about 0.567 million farm families annually and shares around 26.4% of the total institutional credit.

At present the Bank has a network of 31 Zonal Offices and 359 Branches all over the country engaged in catering to the credit needs and providing technical assistance to farming community and rural poor. Since inception, the Bank has disbursed Rs.764.763 billion up to 31.12.2011 which includes financing of 543,598 tractors and 151,455 tube-wells. While meeting the demand for mechanization, attention was also concentrated towards the provision of more credit for livestock, dairy farming, poultry farming and fish farming.

The Bank continuously endeavors to serve its clients with increasing effectiveness and efficiency. In this pursuit, several financial products and delivery mechanisms such as Sada Bahar Scheme, Awaami Zarai scheme and One Window Operation under Supervised Agricultural Credit System, have been introduced over the years.

### 1. Overall Credit Disbursement

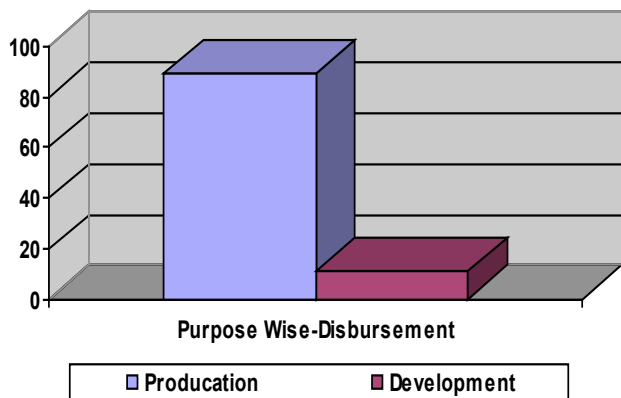
During 2011 the Bank disbursed an overall amount of Rs.65,452 million as compared to Rs.69,561 million in the year 2010. The Bank served 432,834 borrowers during the year 2011.

The impact of quantum increase in ZTBL credit is visible from harvest of bumper wheat crop and relatively better rice and cotton crops during the period under review. The Bank managed the funds availability from its own sources through boosting recovery and recycling the recovery proceeds for increased disbursements.

#### 1.1 Purpose-wise Disbursement of Loans

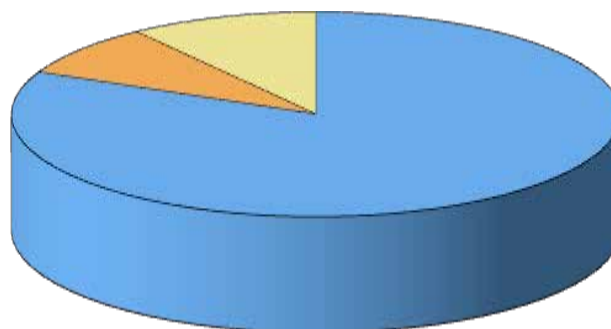
The Bank advanced Rs.58,267 million for production purposes during 2011 against Rs.56,867 million disbursed in the year 2010. Item-wise distribution of production loans includes Rs.27,968 million for fertilizers, Rs.16,315 million for improved seeds and Rs.11,071 million for pesticides etc. Bank also provided working capital loans for dairy, poultry, livestock and fisheries which were Rs.430 million, Rs.151 million, Rs.53 million and Rs.1 million, respectively. An amount of Rs.2,277 million was disbursed under the head to "Others". The share of production loans to total agricultural loans was 89.0%. Details are given in statistical table No.2.6 annexed.

Disbursement for development purposes is amounting to Rs.7,185 million in the year 2011 against Rs. 12,694 million disbursed during the previous year. Out of this amount, Rs.431 million were disbursed for financing of 908 tractors, Rs.476 million for installation of 1745 tube wells, Rs.193 million for farm equipment, Rs.200 million for godowns/cold storages, Rs.18 million for land development and Rs.221 million for orchards. Bank also disbursed loans for the establishment/enhancement of dairy farms, livestock farms and poultry farms amounting to Rs.5,093 million, Rs.385 million and Rs.5 million, respectively. Detail is given in statistical table No.2.6 annexed.



Term-wise loan amounts are given below:

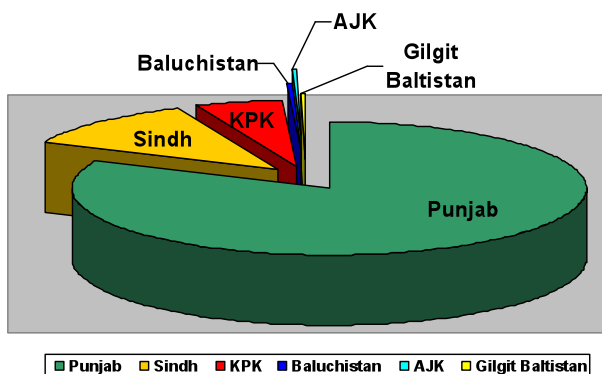
Short term loans	Rs.58,267 Million
Medium term loans	Rs.5,809 Million
Long term loans	Rs.1,376 Million



Term-wise loan disbursement

## 1.2 Province-wise Disbursement of Loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2011 the Bank disbursed Rs.53,597 million (81.9%) in Punjab, Rs.7,589 million (11.6%) in Sindh, Rs.3,750 million (5.7%) in Khyber Pakhtunkhwa, Rs.107 million (0.2%) in Baluchistan, Rs.229 million (0.3%) in AJK and Rs.179 million (0.3%) in Gilgit Baltistan. Detail is given in statistical table No.2.2 annexed.



Province-wise disbursement of loans

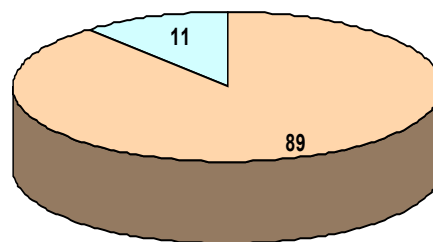
## 1.3 Term-wise Loan Disbursement

The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period of up to 18 months. Medium and long term loans are advanced for development purposes and their maturity period spreads over 5 and over 8 years, respectively.

## 1.4 Loans to Subsistence and Small Farmers

The majority of farmers in Pakistan operate small holdings. The small farmers owning farms up to 25 acres, constitute 94 percent of total farms. The Bank has been channeling bulk of its credit for subsistence and small farmers. Timely provision of adequate credit to this segment of farming community has proved instrumental in increasing farm productivity and income level.

During the year 2011, the small farmers having land up to 25 acres, had a share of 89 percent as an amount of Rs.58,066 million was disbursed to them out of the total disbursement of Rs.65,452 million. Out of this, an amount of Rs.44,606 million was channeled to subsistence farmers constituting 68 percent of the total agricultural credit disbursed by the Bank. Year-wise disbursement to small and subsistence farmers is given in statistical table No.1 annexed.



Disbursement to Small Farmers

## 1.5 Holding-wise Disbursement of Loans

Holding-wise disbursement of loans during the year 2011 depicts that land-less farmers received Rs.233 million which was 0.4% of the total disbursement. Loans to land owners/operators under 12.5 acres amounted to Rs.43,474 million representing 66.4% share in overall disbursement. Farmers owning/operating land between 12.5 and 25 acres received Rs.14,359 million constituting 21.9% share. It was followed by Rs.5,141 million (7.9%) disbursed to farmers with land holding between 25 and under 50 acres. Remaining credit amounting to Rs.2,244 million (3.4%) was disbursed to land holders operating farms of 50 acres and above. Details are given in statistical table No.2.8 annexed.

## 1.6 Size-wise Composition of Loans

Composition of credit disbursement by size of loan during the period under review revealed that loans availed up to Rs.25,000 constituted only 0.6% of the total credit, loans between Rs.25,001 to Rs.50,000 were 3.7%, loans between Rs.50,001 to 200,000 were 39%, between Rs.200,001 to Rs.500,000 constituted 43.4% and above of Rs.500,000 constituted 13.3% of the total credit. Details are given in statistical table No.2.7 annexed.

## 1.7 Security-Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.64,780 million, constituting 99%, were secured against pledge/mortgage of tangible securities. Loans amounting to Rs.98 million being 0.2% were disbursed against personal surety while loans amounting to Rs.573 million being 0.8% were advanced against hypothecation and other securities. Details are given in statistical table No.2.4 annexed.



Security-Wise Disbursement of Loans

## 1.8 Zarkhaiz/Awami Zarai Scheme

Zarkhaiz/ Awami Zarai Scheme (One Window Operation) has played a significant role in meeting the production credit needs of small farmers timely. Credit availability of farmers at their doorstep enables them to purchase the required good quality inputs. In order to facilitate farmers in time in sowing season, One Window Operation (Zarkhaiz/Awami Zarai Scheme) was started w.e.f. 4th April 2011. It is in operation throughout the country (except Mingora zone in KPK, Turbat zone in Baluchistan, FATA, Gilgit (Baltistan) and AJ&K being un-settled/Hilly areas), with the collaboration of Provincial Governments, Agriculture Departments, Board of Revenues and Postal Authorities.

## 1.9 Provision of Working Capital for Non-Farm Credit (Poultry, Dairy and Fishery)

For efficient operation of business, working capital plays pivotal role. Accordingly, the Bank launched the provision of working capital for Non-Farm Credit under Awami Zarai Scheme through which working capital is provided for poultry, dairy and fishery. All farmers experienced in poultry, dairy and fishery who are practically engaged and successfully running Non-Farm Credit Activities are eligible for these loans. The maximum amount of the said loan is Rs.0.500 million.

## 1.10 Revised Rates of Postal Charges

In view of inflationary trend prevailing in the country it has become difficult for the Bank to bear additional expenses as postal charges. Therefore, the Bank has revised the existing rates of postal charges to be paid by prospective borrowers of the

Bank w.e.f. 01.07.2011.

S. No.	Type of Loans	One time Revised Rates of Postal Charges
i)	Production Loans	Rs.500/-
ii)	Development Loans with tenure of up to Five Years	Rs.1000/-
iii)	Development Loans with tenure of above Five Years	Rs.2000/-

### 1.11 Valuation of Urban Properties Through PBA Approved Valuers

In the light of SBP instructions, instructions contained in Credit Manual regarding valuation of urban properties have been revised. Now branches have been advised through circular letter that valuation report regarding urban property offered as security against bank's loan would be obtained from the Pakistan Bank Association (PBA) approved valuers. However, the Bank's appraisal staff has also been made responsible to verify the genuineness and competitiveness of the valuation worked out by PBA valuers from the market/area through local inquiry.

### 1.12 Sada Bahar Scheme

For providing timely input loans for crops and working capital for dairy, poultry and fisheries, the Bank has launched Sada Bahar Scheme. Assessment for inputs requirements for the whole year is made at the time of first application. The amount so assessed is treated as Revolving Finance Limit provided it is within the security limits. To revolve loans, fresh investigation/appraisal is not necessary up to three years. The Managers are authorized to sanction such loan limits within their loan sanctioning powers and renew the same even if previously it was sanctioned by the higher authority. Under these schemes, an amount of Rs.43,169 million was disbursed during the year 2011.

### 1.13 Farm Mechanization and Technology Dissemination

ZTBL is the only Bank in Pakistan having complete focus on Agriculture Sector for provision of credit and services in the rural areas particularly to small farmers for modernization and promotion of farm mechanization. The Bank played a vital role in bringing cultivable waste land under cultivation through financing for tractors, tubewells, farm implements such as bed planters, laser land leveling system, farm transportation, vegetable planters, zero tillage drills, rice threshers, combine harvesters for wheat, rice, maize and sunflower etc which directly helped in increasing yield besides improving the efficiency of other farm activities.

To reduce the import bill of diesel and to meet the shortage of electricity, ZTBL intends to introduce Solar Energy System as alternate sources of power for running irrigation pumps for lift of water, drying/ processing of fruits/ vegetables and other similar purposes.

The Bank has planted various varieties of olive at ZTBL farm to select and introduce its cultivation in suitable areas. Tunnel technology was introduced among farmers for off-season vegetables to enhance their income. Furthermore, emphasis on cultivation of medicinal plants like Kalvangi, Geranium and Basil was also given. Approximately 370 kg Honey was produced at ZTBL Farm. In addition production of organic vegetables is carried out at ZTBL Farm.

Besides establishment of model villages four Provincial Technical Units in the field were also established and latest technologies were introduced like laser land leveling, bio-fertilizers, small Agri. Machinery for saving time and labour etc. Field days at Model Villages were conducted and detailed discussions were made to identify problems faced by the farmers and to workout their solutions. For this purpose, various subject specialists were invited to discuss about crops and suggest different steps required for yield maximization. Baseline survey has been completed and 11 bio-gas units have been established in the Model Villages.

The economics/feasibilities of inland fish farming, Trout farming, Ostrich farming, Beekeeping, Feed lot/ fattening station, Rearing of heifers (female calves of buffaloes), Animal breeding centre, Sheep



and goat farming, Mobile veterinary clinic were also prepared & distributed among the bank's field functionaries and farmers. AKRSP Gilgit has been motivated to develop fruit plant nurseries, tunnels for vegetable nursery raising and construction of meat cold storages at different locations.

Farm Machinery Catalog was prepared under the direction of Board Committee of Credit Plan (BCCP). Provision of foundation/breeders seed (52) bags was kept under the direction of BCCP. Feasibility study for Potato seed for Gilgit Baltistan was also conducted. In order to facilitate the farmers directory of 521 seed marketing companies of Pakistan was prepared. Kissan Khushali Scheme for Naudero was launched. Four to five acres of eroded land of ZTBL Farm was reclaimed.

## 2. Recovery Operations

During the year 2011, ZTBL attained an all time record recovery of Bank's dues with the untiring efforts, hard work and devoted involvement of its staff. It recovered Rs.72,422 million as compared to Rs.71,936 million recovered during corresponding period of last year with an increase of Rs.486 million showing growth of 0.7%. The overall recovery rate is 90.3% as against last year recovery rate of 89.6% which is 0.7% plus. The prominent features of higher recovery during the year were the effective mobilization of MCOs, daily/ weekly monitoring of recovery by the Branch Managers, Zonal Chiefs and by the Head Office. This level of recovery was achieved despite lot of hindrances during the period such as Law and Order situation in KPK/Baluchistan/Gilgit Baltistan/ Northern Areas and other parts of the country, low rate of paddy/ marketing problems.

The Bank focused in the areas which were not declared as calamity hit and also pursued for recovery to the loanees of calamity affected areas who were in a position to repay the loans by intensifying contact at grass root level. In addition to the above, reschedulement was not allowed across the board, and it was allowed to the borrowers who intend to repay their loans after harvest of next crop. These arrangements gave positive response and the bank managed to save heavy decline in recovery rather it was improved as against last year's recovery as mentioned above.

The Bank in line with approved policy of Board

of Directors has allowed write off/remission of Rs.1135.882 million to 20562 borrowers during the year including Government Relief Package of Rs.1008.285 million allowed for Kohistan, Battagram, Shangla, Northern Areas/Gilgit Baltistan and Mathra & Khalisa circles of Peshawar by Federal Government during the year 2011.

In SAM loan portfolio there is an improvement of 6.6% with reference to addition to SAM portfolio which is Rs.1390.641 million against addition of Rs.1489.195 million during last year. Total outstanding SAM portfolio has also improved as the same has been reduced by Rs.1880.095 million during the year 2011 with an improvement of 5.62% in comparison to corresponding period.

Despite worse law & order situation in the country, the Bank performance regarding SAM loans was commendable due to efforts of bank's management/field functionaries.

## 3. Business Development/Deposit Mobilization

In order to ensure efficient and sound operations of field functionaries and provide better services to its clientele, Bank has extended its field network by opening of 04 new Zonal Offices and 04 new Branches to ensure availability of greater outreach to the farming community.

In addition the Bank has also introduced 'Model Village Scheme' for enhancing its significant role through diversification and expansion of credit facility to the farming community of the respective area.

As per commitment for achieving a sound deposit base, Bank has successfully achieved the deposit target of Rs.9 billion during the period under review. Apart from above, Operations Division has successfully accomplished the following landmarks:-

- Bank has collected more than 7000 Hajj applications from the intending pilgrims in the year 2011.
- The Bank has collected 818,000 Utility bills from the customers during the year 2011.

- A new segment i.e. Western Union has also been introduced and launched in 6 selected Branches by ensuring home remittance facility at our ZTBL Branches.

#### 4. Internal Audit

Internal Audit function conforms to the requirements as set out in Code of Corporate Governance and Prudential Regulations of State Bank of Pakistan. The Audit Committee of the Board maintains an effective oversight over the operations of the Bank's Half Yearly/Yearly Audit of the Branches and Head Office which is carried out in a systematic way through an annual plan approved by the Board Audit Committee.

##### 4.1 Management Audit

The Annual Management Audit of Head Office Departments, Audit Zones and HO Units in the field is conducted in the light of applicable rules, regulations, policies and procedures with a view to assess that all the field functionaries are performing their duties efficiently and judiciously. In the year 2011 Annual Management audit of 79 Head Office Departments and its units in the field were audited. During 2011 the pace of settlement of Management Audit paras remained 86%.

##### 4.2 Information Systems Audit

The Information Systems Audit Department conducted 39 IS audit assignments during the year 2011. The pace of settlement of IS Audit paras during the year remained 53%.

##### 4.3 Field Audit

During first half of the year 2011 audit of 266 high risk/volume branches was conducted and 356 branches were audited in the second half. Management Audit of 31 Zonal Offices was also conducted. Six hundred and sixty one DSAs were framed/forwarded to Disciplinary Proceedings Department during the period under review. The pace of settlement of Field Audit paras remained 63%.

#### 5. Compliance Programme

Compliance Department continued to pursue

Departments at Head Office for ensuring submission of data/reports to SBP as per prescribed procedure. During the year 2011 about 62 regular returns were arranged from different Divisions/Departments. The annual SBP Inspection-2011 was coordinated and reply from all the concerned Departments was arranged. SBP Inspection Report as of 31.12.2009 was got cleared by the Board Audit Committee & Board of Directors.

Compliance Review Program (CRP) is operative in 37 selected branches having big loan portfolio. Branch Compliance Officers posted in the selected branches review the Bank operations on daily basis. Exceptions observed during the course of review are consolidated on monthly basis and reported in the exception reports. Rectification of exceptions is pursued through Branch Compliance Officers as well as through Operations Division.

#### 6. Human Resource Development

The strategy of HR is based on two main pillars i.e. enhancing the capabilities and competencies of the existing Human Resource as well as induction of new blood in various tiers of management. During the period under review 313 Officers, Executives and IT Professionals were recruited.

The HR policies were reviewed in line with Revamping Plan. The restructuring was aimed at to strengthen and expand the organizational set up which includes creation of Credit Administration & Risk Management Division, Creation of 4 ATD Units at Provincial Headquarters and establishment of 4 Zonal Offices in high potential areas.

The bank celebrated its Golden Jubilee in 2011 and an amount of Rs. 382,187 million was spent for motivation and mobilization of HR for efficiency through a series of financial incentives in the shape of loans/grants to employees and their children.

The Bank pursued a vigorous training program during the period under review. About 2176 employees of the bank were trained at its in-house facility whereas 111 others were sent to various training institutes within the country. Following courses were conducted at Staff College, Islamabad.

Sr. No	Course Title	No. of Courses	No. of participants
	Staff College Islamabad		
1.	MCO's Courses		
	Course for Bridging Gaps & Capacity Building of MCOs	13	294
	<b>Sub Total</b>	<b>13</b>	<b>294</b>
2	Manager Courses		
	Augmenting Core Competencies for Managers	4	91
	Improve Managerial Skill for Online Applications	4	87
	<b>Sub Total</b>	<b>8</b>	<b>178</b>
3	Courses/Workshops for Audit Personnel		
	Comprehensive Training on Computerized IAMS	2	58
	<b>Sub Total</b>	<b>2</b>	<b>58</b>
4	AM Operation Course/Dy. Managers	6	135
5	Orientation Courses for Newly Recruited OG-IIIs	6	247
6	Middle Operational Management	5	102
7	CAD System in ZTBL	1	26
8	Clerical Staff	2	40
9	Female Training Courses	4	84
10	IT-Training for HO Employees	4	70
11	Zonal/Area Chiefs	2	33
12	Miscellaneous	5	99
13	Field Workshops	17	810
	<b>Grand Total</b>	<b>75</b>	<b>2176</b>
	Inland Nominations processed for other Institutions	111	
	Employees participated at other Institutions		87
	Foreign Training Cases Processed	4	
	Employees Participated at Foreign Institutes		2
	Internship (without stipend) for students of various Universities/Colleges/Institutions recognized by HEC		215
	Internship for ACCA Affiliates		37
	Employees Education Program		2
	Placement of Internship Phase-III		15
	Specialized Internship program		15
	Students Learning the Holy Quran		100
	<b>Grand Total</b>		<b>2649</b>

## 7. Risk Management Framework

At the organizational level, ZTBL has established a robust risk management structure which encompasses a broader framework of Committees, Department and Units responsible for each type of risk. A Division named as Credit Administration and Risk Management Division has been set up with a view to improve effectively the working at the field/organizational level. As per guidelines of SBP the Risk Management Department has developed an ORR model (Obligor's Risk Rating) to determine credit worthiness of a borrower. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control as well as to comply with Basel-II standards.

Communication Technology (ICT) infrastructure continued during 2011. The Centralized Deposit Management System (CDMS) has been introduced to move towards Real Time/Online banking facilities. As of 31 December, 2011, seven branches were live using cDMS. Implementation of virtualization technology at Data Centre has saved an amount of Rs.6, 750,000/-. The duration of IT Operations has been increased from 08 hours to 16 hours, and will be enhanced to 24x7 during 2012, to ensure improved support to field functionaries. The Bank's wide area network has been converted in 157 branches to a high speed, dedicated and secured PTCL-VPDN network.

### 7.1 Internal Risk Management Committee/ Review of Risk Policy

The Risk Management Policy of the Bank encompasses a broader Risk Management Framework of the Bank. At present Credit Risk is reviewed at the Bank level only. In order to improve reporting of risk issues to senior management and the Board, the Credit Risk Committee and Operational Risk Committee have been merged and a Committee named as Internal Credit Risk Management (ICRM) Committee has been set up. The Committee holds its meetings quarterly for presenting the major risk issues to the senior management of the Bank. The proceedings of the Committee are presented to the Board Risk Management Committee on regular basis.

### 7.2 Enhanced MIS for Risk Management

Effective and robust management information system serves as a backbone for risk management function. In order to improve the data and reporting requirements of the Risk Management, Bank's indigenously developed MIS called dynamic Integrated Management Information System (diIMS) has been enhanced to accommodate specific/tailored reports for Risk Management.

## 8. Information Systems Division

To improve transparency and efficiency in the Bank's operations, the process for acquisition and implementation of modern Information and



**Kissan Support Services (Pvt) Ltd.**  
(Subsidiary company of ZTBL)



## Introduction

Kissan Support Services (Pvt.) Limited was incorporated as a subsidiary of The Zarai Taraqati Bank Limited with an Authorized Capital of Rs.100 million fully subscribed by the Bank. Under its Memorandum and Article of Association KSSL will under take all non core activities of the bank and to provide manpower to the ZTBL so that bank may focus on core banking business more efficiently. In addition to this KSSL may provide to the Bank's clients quality products and services for efficient and improved farming seeds, fertilizers, pesticides, agricultural machinery and technical services. Further it may carry on any business for its sustainability. At present the KSSL is carrying on the following services.

- Recruitment/provision of staff to ZTBL
- Provision of support services to the farmers.
- Security Services to ZTBL
- Medical Services to ZTBL & KSSL employees.
- Manage ZTBL Sports Activities
- Mail Management Services
- Photocopying Services to ZTBL
- Janitorial Services to ZTBL
- Repair & Maintenance Services to ZTBL

### **BOARD OF DIRECTORS OF KISSAN SUPPORT SERVICES PVT. LTD.**

S.No	Name	Designation
1	Ms Rohi Raees Khan	Chairperson
2	Ch.Ashfaq Akhtar	Member
3	Mr.Muhammad Rafiq Bughio	Member
4	Mr.Abdul Ghaffar Bhatti	Member
5	Mr. Ch. Muhammad Asghar	Member
6	Mrs.Shaheen Saifullah Toru	Member
7	Mrs.Azra Mahmood Sheikh	Member
8	Mr. Anjum Saeed Akhtar	Member / MD/CEO
9	Mr. Saeed Akhtar	Company Secretary

## Aim

To provide support staff to ZTBL, undertake its non core activities and carry out any business for its sustainability.

## Objective

- To provide to the Bank's clients quality products and services for efficient and improved farming including seeds, fertilizers, pesticides, Agri-machinery and technical services like design of irrigation & drainage system, repair and maintenance of agricultural machinery and other services like training and education of farmers, market information and crop insurance etc.
- To provide welfare services to the employees of the Bank including education, vocational training, sports and recreation facilities.

## Review on Human Resource Operations Department

HR Department of KSSL is set up to fulfill human resource requirements of ZTBL as and when required. The KSSL HR Department not only provides skilled Clerical and non-clerical staff along with Advisory/ Consultancy Staff to facilitate operations of the Bank.

## Achievements of HR Department

Provision of Janitorial services, photocopying services and provide requisite man power to the branches, Zonal offices and Head office. Complied and maintain data of the entire manpower of KSSL. Provision of funeral grant (@ Rs. 10,000 per individual), group insurance amount (@ Rs.400, 000 per individual on death), grant of extra duty allowance, over time allowance, maternity leave with three months Pay.

### CLERICAL SERVICES KSSL

S.No	Cadre	KSSL Basic Pay
1.	Senior Assistant	Rs.10,000
2.	Typist / Assistant	Rs.9,000
3.	Driver	Rs.8,000
4.	Naib Qasid	Rs.8,000
5.	Dispatch Rider	Rs.8,000

### SECURITY SERVICES BY KSSL

S.No	Cadre	KSSL Basic Pay
1.	Security Supervisor	Rs. 10,000
2.	Security Guard / Armed Guard/ Darban	Rs. 8,000
3.	Lady searcher	Rs.8,000

## Review of Security Services Department

### Aim

To undertake security measures for the protection of ZTBL assets, men and material.

### Key objectives

KSSL Security Department protecting the bank's assets, minimize the potential financial loss, to ensure the safety of employees, development of physical monitoring by patrolling and check and balance system through monitoring by communication means, CCTV link up systems with control room systems and Protection against Fire [Fire Fighting] Practices.



## Achievements 2011

Strengthening of Security System at Head office, obtained 20 x Kalashnikovs licenses and procurement of Kalashnikovs is in process. Provide Security Cover to visiting foreigner/national dignitaries visiting ZTBL head office and also in field. Provide the security arrangement for the written test for OG-III examination through out Pakistan also in smooth conduct of CBA Election/ Referendum.

## Review of Medical Services Department

Medical Services Department has been shifted under the administrative control of KSSL from 20th February, 2009. All the employees of ZTBL/KSSL being benefited with health care facilities throughout the Country.

### MEDICAL BUDGET/EXPENSES FOR LAST THREE YEARS

YEAR	BUDGET Million Rs.	EXPENSES Million Rs.	BALANCE (Savings) Million Rs.
2011	101.00	51.00	50.00
2010	105.00	78.00	27.00
2009	107.00	83.00	24.00

## Achievements

Restore credit & discount facility at Shifa International Hospital, Islamabad. Providing the best medical facilities to the employees on economical rates, enlistment of reputable hospitals like Faisal Memorial Hospital, Life Care Hospital, NORI, POONAM, IRNAM and enlistment of North West General Hospital & Rehman Medical Institute, Peshawar & Agha Khan Hospital Karachi is in process.

## Review of Sports Department

### Aim

- To promote sports in line with the orders of Government Of Pakistan. To encourage participation of Women in different Sports discipline in conformity with the Government Policy of gender equality.

### Sports activities

Cricket ( male & female), Squash, Tennis, Football and Shooting ball

### CONTRIBUTION TOWARDS NATIONAL TEAMS CRICKET (Male)

M/s Abdul Razzaq, Sohail Tanveer, Rao Iftikar Anjum, Imran Nazir, Saeed Ajmal, Sharjeel Khan, Yasir Hameed, Haris Sohail, M.Khalil & Zulqarnain Haider are representing Pakistan Team in different form of games. (i.e. Test Match, ODIs & T-20s)



### **Achievements of ZTBL Women Cricket Team**

Won 1<sup>st</sup> ZTBL/PCB Mohtarma Benazir Bhutto Shaheed T20 Challenge Cup 2011-12. Won the National Women Championship consecutively for three years (2009-10, 2010-11 & 2011-12) organized by Pakistan Cricket Board. Winner T-20 National Women's Championship 2009-10 & 2010-11 held at Kinnaird College Lahore.

**FINANCIAL OVERVIEW OF KISSAN SUPPORT SERVICES****BALANCE SHEET**

S.No	Particulars	Amount in Million Rs.	
		Dec 31, 2011	Dec 31, 2010
1	Net assets	21.661	15.251
2	Current assets	251.974	217.011
	Total Assets	273.635	232.262
3	Share Capital & Reserves	201.439	175.316
4	Non Current Liabilities	37.937	28.598
5	Current liabilities	34.260	28.348
	Total Equity & Liabilities	273.636	232.262

**PROFIT & LOSS ACCOUNT**

S.No	Particulars	Amount in Million Rs.	
		31-Dec-11	31-Dec-10
1	Income	426.061	431.667
2	Cost of services	(363.390)	(374.121 )
3	Administrative Expenses	(40.297)	(44.402)
4	Profit before Tax	65.326	54.431
5	Provision for Tax	(17.727)	(1.693)
6	Profit after Tax	26.123	32.094
		Amount in Rs.	
7	Earning per Share	2.61	3.21





**UNCONSOLIDATED  
FINANCIAL STATEMENT**



**Riaz Ahmad & Company**  
**Chartered Accountants**

2-A, ATS Centre, 30 West  
 Fazal-e-Haq Road, Blue Area,  
 Islamabad.

**Ilyas Saeed & Co.**  
**Chartered Accountants**

Office 26 2nd Floor,  
 Rose Plaza, I-8 Markaz,  
 Islamabad.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Zarai Taraqati Bank Limited ("the Bank") as at 31 December 2011 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 (herein-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for one hundred and sixteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing 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 loans and advances covered more than sixty percent of the total loans and advances of the bank, we report that:

- a) in our opinion, proper books of accounts 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 purpose 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;
  - 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 approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2011 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 matters

Prudential Regulation 'O-3' for Corporate / Commercial Banking requires clearance for all outstanding entries in inter-branches / offices current accounts within a period of 30 days from the date of recording of transactions. We have, however, noted balances in inter-branches / offices current accounts included in these financial statements on net basis amounting to Rupees 426.418 million credit balance (31 December 2010: Rupees 570.579 million credit balance) which include transactions beyond the period of 30 days.

We draw attention to notes 15 and 17 to the financial statements, which fully explain the status of State Bank of Pakistan (SBP) debt with respect to mark-up payable by the Bank. As per the submitted debt restructuring proposed by SBP, the additional mark-up amounting to Rupees 2.729 billion has not been accounted for by the Bank, due to reason stated in the aforesaid notes. Outcome of the decision on the matter may require appropriate adjustment in the provision of accrued mark-up of liability.

Our opinion is not qualified in respect of the above matters.

### Other matter

The financial statements of the bank for the year ended 31 December 2010 were audited by M/s Anjum Asim Shahid Rahman, Chartered Accountants and M/s Ilyas Saeed & Co., Chartered Accountants whose report dated 22 December 2011 was modified by qualifying the issues of un-reconciled balance in branch adjustment account, non-calculation of provision against non-performing advances as per Prudential Regulations and non-adjustment of income tax liability and an emphasis of matter paragraph on status of mark-up payable on borrowings from SBP.

**Riaz Ahmad & Company**  
Chartered Accountants

**Name of engagement partner:**  
Atif Bin Arshad

**Date: 08 May 2012**  
Islamabad

**Ilyas Saeed & Co.**  
Chartered Accountants

**Name of engagement partner:**  
Imran Ilyas

**Date: 08 May 2012**  
Islamabad



**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

	Note	2011	2010
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	3,056,462	2,745,611
Balances with other banks	8	11,176,444	10,916,739
Lendings to financial institutions		-	-
Investments - net	9	12,047,958	7,841,698
Advances - net	10	84,743,706	84,792,594
Operating fixed assets	11	1,167,167	1,131,733
Deferred tax assets - net	12	331,449	438,660
Other assets - net	13	9,944,774	9,718,914
		122,467,960	117,585,949
<b>LIABILITIES</b>			
Bills payable	14	208,117	306,040
Borrowings	15	51,257,213	51,257,213
Deposits and other accounts	16	8,962,457	9,602,772
Sub-ordinated loan	17	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	18	34,514,383	31,510,958
		98,146,493	95,881,306
<b>NET ASSETS</b>		<b>24,321,467</b>	<b>21,704,643</b>
<b>REPRESENTED BY</b>			
Share capital	19	12,522,441	12,522,441
Reserves	20	2,313,441	1,884,411
Unappropriated profit		8,171,742	6,455,623
		23,007,624	20,862,475
Surplus on revaluation of assets - net of tax	21	1,313,843	842,168
		24,321,467	21,704,643
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes 1 to 42 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
 ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011	2010
Rupees in '000			
Mark-up / return / interest earned	23	9,510,328	8,896,701
Mark-up / return / interest expensed	24	3,794,737	3,713,765
Net mark-up / interest income		5,715,591	5,182,936
Provision against non-performing loans and advances - net		681,523	1,365,024
Provision for diminution in the value of investments - net		70	-
Write offs under Government relief packages		647	698
Bad debts written off directly		-	-
		682,240	1,365,722
Net mark-up / interest income after provisions		5,033,351	3,817,214
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		7,202	8,388
Dividend income		33,427	35,420
Income from dealing in foreign currencies		-	-
Gain on sale of securities		476	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	25	3,029,214	4,307,296
Total non mark-up / interest income		3,070,319	4,351,104
		8,103,670	8,168,318
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	26	4,502,846	5,290,275
Provision against other assets - net	13.7	321,385	(1,209)
Other charges	27	2,280	1,410
Total non mark-up / interest expenses		4,826,511	5,290,476
		3,277,159	2,877,842
<b>EXTRA ORDINARY / UNUSUAL ITEMS</b>			
		-	-
<b>PROFIT BEFORE TAXATION</b>			
		3,277,159	2,877,842
<b>Taxation - Current</b>			
		1,077,208	1,192,110
- Prior years		-	-
- Deferred		54,802	(178,554)
	28	1,132,010	1,013,556
<b>PROFIT AFTER TAXATION</b>			
		2,145,149	1,864,286
Unappropriated profit brought forward		6,455,623	4,964,194
<b>Profit available for appropriation</b>		8,600,772	6,828,480
<b>Basic earnings per share (Rupees)</b>			
	29	1.734	1.514
<b>Diluted earnings per share (Rupees)</b>			
	30	1.734	1.514

The annexed notes 1 to 42 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
 ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011	2010
	Rupees in '000	
<b>PROFIT AFTER TAXATION FOR THE YEAR</b>	2,145,149	1,864,286
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME TRANSFERRED TO EQUITY</b>	2,145,149	1,864,286
<b>COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY</b>		
Net change in fair value of available for sale securities	524,084	436,206
Deferred income tax	(52,409)	(30,525)
	471,675	405,681
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	2,616,824	2,269,967

The annexed notes 1 to 42 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
 ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011	2010
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,277,159	2,877,842
Dividend income		(33,427)	(35,420)
		3,243,732	2,842,422
Adjustments for non cash charges:			
Depreciation	11.2	210,598	224,225
Amortization	11.3	8,753	25,275
Amortization of deferred income	18.3	(51,024)	(67,329)
Provision against non-performing loans and advances - net		681,523	1,365,024
Provision for diminution in the value of investments - net	9.2.1	70	-
Provision for employees post retirement medical benefits	34.5.6	15,272	261,186
Provision / (reversal) against other assets - net		321,385	(1,209)
Fixed assets - written off		-	719
Write offs under Government relief packages		647	698
Provision for employees' compensated absences	34.6.1	(454,479)	(395,897)
Gain on sale of securities		(476)	-
Gain on sale of operating fixed assets		(871)	(1,942)
		731,398	1,410,750
		3,975,130	4,253,172
(Increase) / decrease in operating assets:			
Advances - net		(633,282)	(4,184,295)
Others assets - net		163,321	(1,034,148)
		(469,961)	(5,218,443)
Increase / (decrease) in operating liabilities:			
Bills payable		(97,923)	(1,753,939)
Deposits and other accounts		(640,315)	851,880
Other liabilities (excluding current taxation)		2,880,645	4,358,297
		2,142,407	3,456,238
Employees' benefits paid		(710,566)	1,457,724
Income tax paid		(464,197)	(1,749,203)
Net cash generated from operating activities		4,472,813	2,199,488
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		100,476	-
Net investment in held to maturity securities		(3,782,246)	(154,053)
Dividend income received		33,427	35,420
Investment in operating fixed assets		(260,146)	(330,157)
Sale proceeds of property and equipment disposed off		6,232	20,564
Net cash used in investing activities		(3,902,257)	(428,226)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		-	-
Net increase in cash and cash equivalents		570,556	1,771,262
Cash and cash equivalents at beginning of the year		13,662,350	11,891,088
Cash and cash equivalents at end of the year	31	14,232,906	13,662,350

The annexed notes 1 to 42 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
 ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

\_\_\_\_\_  
 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011**

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
..... Rupees in '000 .....					
<b>Balance as at 31 December 2009</b>	12,522,441	1,451,554	60,000	4,964,194	18,998,189
Profit after taxation for the year ended 31 December 2010	-	-	-	1,864,286	1,864,286
Total comprehensive income for the year ended 31 December 2010	-	-	-	1,864,286	1,864,286
Transferred to statutory reserve	-	372,857	-	(372,857)	-
<b>Balance as at 31 December 2010</b>	12,522,441	1,824,411	60,000	6,455,623	20,862,475
Profit after taxation for the year ended 31 December 2011	-	-	-	2,145,149	2,145,149
Total comprehensive income for the year ended 31 December 2011	-	-	-	2,145,149	2,145,149
Transferred to statutory reserve	-	429,030	-	(429,030)	-
<b>Balance as at 31 December 2011</b>	12,522,441	2,253,441	60,000	8,171,742	23,007,624

The annexed notes 1 to 42 and Annexure I form an integral part of these financial statements.

ACTING PRESIDENT/CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

## ZARAI TARAQIATI BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 1. STATUS AND NATURE OF BUSINESS

##### 1.1 Reorganization and conversion

The Federal Government in its cabinet meeting held on 28 August 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan and for matters connected therewith or incidental thereto.

##### 1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited ("the Bank") was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1)/2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqati Bank Limited on 14 December 2002, the effective date specified by the Federal Government on the basis of net worth determined at Rupees 8.9 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 359 (2010: 355) branches in Pakistan as at close of the year.

##### 1.3 Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

#### 2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary are being issued separately.

#### 3. STATEMENT OF COMPLIANCE

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" on banks through SRO 411(1)/2008 dated 28 April 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 State Bank of Pakistan through various circulars.

3.3 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 01 January 2011:

IAS 24 (revised) 'Related party disclosures' issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard classifies and simplifies the definition of a related party and removes the requirement for government - related entities to disclose details of all transactions with the Government and other Government - related entities. The revised standard does not have any significant effect on the Bank's financial statements.

Prepayments of minimum funding requirements (Amendment to IFRIC 14) - effective for annual periods beginning on or after 1 January 2011. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when the IFRIC 14 was issued, and the amendment corrects this. The amendment is not expected to have any significant impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2011 but are considered not relevant or do not have a significant effect on the Bank's operations and therefore are not detailed in the

financial statements.

### 3.4 Standards, amendments and interpretations to published approved accounting standards that are relevant and not yet effective

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

IAS 27 "Separate Financial Statements" (2011) effective for annual periods beginning on or after 01 January 2013. IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interest in Other Entities" dealing with IAS 27 would be applicable effective 01 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Bank.

"IAS 19 "Employee Benefits" (amended 2011) effective for annual periods beginning on or after 01 January 2013. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize 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. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. The Bank does not plan to adopt this change early and the extent of the impact has not been determined.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2012 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.

The scheme, developed in compliance with the Government of Pakistan policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard 2 "Share Based Payments". Securities and Exchange Commission of Pakistan has granted an exemption from application of IFRS 2 to the scheme. However, the Bank is in process to determine the financial impact of this scheme to be disclosed in the financial statements.

## 4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments which are carried at fair value.

These financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to the nearest thousand Rupees.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations on future events that are believed to be reasonable under these circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

### 5.1 Classification of investments

As described in Note 6.5, held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while held to maturity are investments where the management has positive intention and ability to hold to maturity and available for sale securities are investments that do not fall under the held for trading or held to maturity categories. The classification of these investments involves management judgment at the time of purchase whether these are held for trading, held to maturity or available for sale investments.

### 5.2 Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulation issued by State Bank of Pakistan (SBP) and the management's judgment in case of subjective provision.

### 5.3 Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension and salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

### 5.4 Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimate. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as changes in accounting estimate. Such changes are accounted for as change in accounting estimate in accordance with the IAS 8 "Changes in Accounting

Estimates and Errors”.

## 5.5 Impairment

### Impairment of available for sale equity investments

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

### Impairment of investments in subsidiary and associates

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

### Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

## 5.6 Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profit are taken into account.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

### 6.1 Staff retirement benefits

The Bank operates the following staff retirements benefits for its employees:

#### Pension scheme

The Bank operates defined benefits funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuaries by using 'Projected Unit Credit Method'. Any actuarial gain / (loss) in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets, is recognized as income or expense over the estimated working lives of the employees.

#### Gratuity scheme

The Bank operates defined benefits funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations. Any actuarial gain / (loss) in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

#### Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefits scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefits scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

#### Benevolent scheme

The Bank also has two funded defined benefits benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

#### Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.



## 6.2 Employees compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the Project Unit Credit method.

## 6.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash, balances with treasury banks and balances with other banks.

## 6.4 Advances

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by the SBP.

## 6.5 Investment

The Bank classifies its investments as follows:

### Held-for-trading

These are securities acquired principally for the purpose of generating profits from short term fluctuations in market price.

### Held-to-maturity

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

### Available-for-sale

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

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

Unquoted equity securities (excluding investments in subsidiary and associates) 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 classified as 'held to maturity' are carried at amortized cost. Investments in subsidiary and investments in associates are carried at cost less impairment loss, if any.

## 6.6 Operating fixed assets and depreciation/amortization

Property and equipment except freehold land and capital work in progress is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Gains / losses, if any, on disposal of operating fixed assets are charged to profit and loss account during the year.

Subsequent costs are included in the asset's 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. All other repairs and maintenance are charged to the profit and loss account.

## 6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortised over its useful life over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if

appropriate, at each balance sheet date.

## 6.8 Impairment

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

## 6.9 Taxation

### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

### Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of International Accounting Standard (IAS) 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

## 6.10 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

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

## 6.11 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on nonperforming advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP).
- Commission income is recognized on a time proportion basis.
- Profit / (loss) on sale of investments is credited / charged to profit and loss account currently.
- Dividend income is recognized when the Bank's right to receive has been established.
- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.
- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

## 6.12 Provisions

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

## 6.13 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the balance sheet date.

## 6.14 Financial assets and financial liabilities

"Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, investments (excluding investment in associates and subsidiary), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

All the 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 derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

**6.15 Offsetting**

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

**6.16 Dividend distribution and appropriation**

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

**6.17 Earnings per share**

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

**6.18 Segment reporting**

The Bank is engaged in providing agri-financing and operates only in Pakistan.

	Note	2011	2010
		Rupees in '000	
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>Local currency</b>			
In hand		1,187,932	769,214
Prize bonds		737	622
In current accounts with:			
State Bank of Pakistan	7.1	1,867,791	1,972,245
National Bank of Pakistan		2	3,530
		3,056,462	2,745,611
		3,056,462	2,745,611

- 7.1 This represents cash reserves at the rate of 5% of the Bank's demand liabilities and deposits with maturity upto one year in Pakistan. These are non-remunerative in nature. Cash reserve is required to be maintained with SBP to comply with the requirements issued from time to time.

	Note	2011	2010
		Rupees in '000	
<b>8 BALANCES WITH OTHER BANKS</b>			
In Pakistan - local currency:			
In current accounts		34,104	26,722
In deposit accounts	8.1	11,142,340	10,890,017
		11,176,444	10,916,739
		11,176,444	10,916,739

- 8.1 These carry mark-up ranging from 5.00% to 12.86% per annum (2010: 5.00% to 13.50% per annum).

## 9 INVESTMENTS - NET

## 9.1 Investment by types

	Note	2011			2010		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
..... Rupees in '000 .....							
<b>Available-for-sale securities</b>							
Listed companies	9.3	90,031	-	90,031	90,031	-	90,031
Un-listed companies	9.4.5	10,523	-	10,523	10,523	-	10,523
Units of mutual funds	9.5	-	-	-	100,000	-	100,000
		100,554	-	100,554	200,554	-	200,554
<b>Held-to-maturity securities</b>							
Market treasury bills	9.6	9,698,878	2,193	9,701,071	5,000,857	-	5,000,857
Pakistan investment bonds		-	-	-	995,002	2,529	997,531
Certificates of investment	9.7	697,685	-	697,685	618,122	-	618,122
		10,396,563	2,193	10,398,756	6,613,981	2,529	6,616,510
<b>Investment in related party</b>							
Subsidiary company (unlisted)	9.8	100,000	-	100,000	100,000	-	100,000
Total investments at cost		10,597,117	2,193	10,599,310	6,914,535	2,529	6,917,064
Provision for diminution in value of investments	9.2.1	(11,178)	-	(11,178)	(11,108)	-	(11,108)
<b>Investments (net of provisions)</b>		10,585,939	2,193	10,588,132	6,903,427	2,529	6,905,956
Surplus on revaluation of available-for-sale securities	21	1,459,826	-	1,459,826	935,742	-	935,742
<b>Total investments at carrying value</b>		12,045,765	2,193	12,047,958	7,839,169	2,529	7,841,698

	Note	2011	2010
Rupees in '000			
<b>9.2 Investments by segments</b>			
<b>Federal government securities:</b>			
Market treasury bills	9.6	9,701,071	5,000,857
Pakistan investment bonds		-	997,531
		9,701,071	5,998,388
<b>Fully paid-up ordinary shares:</b>			
Listed companies	9.3	90,031	90,031
Un-listed companies	9.4.4	10,523	10,523
		100,554	100,554
<b>Other investments</b>			
Units of mutual funds	9.5	-	100,000
Certificates of investments	9.7	697,685	618,122
		697,685	718,122
<b>Investment in related party</b>			
Subsidiary company (unlisted)	9.8	100,000	100,000
<b>Total investment at cost</b>		10,599,310	6,917,064
Provision for diminution in value of investments	9.2.1	(11,178)	(11,108)
<b>Investments (net of provisions)</b>		10,588,132	6,905,956
Surplus on revaluation of available-for-sale securities	21	1,459,826	935,742
<b>Total investments at carrying value</b>		12,047,958	7,841,698
<b>9.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		11,108	11,108
Charge for the year		70	-
Reversals		-	-
Closing balance		11,178	11,108
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available-for-sale securities - listed securities		655	585
Available-for-sale securities - un-listed securities		10,523	10,523
		11,178	11,108

### 9.3 Particulars of investments held in listed companies

Number of ordinary shares		Paid up value/share	Name	2011	2010
2011	2010	Rupees		Rupees in '000	
430,551	430,551	10	Nestle Pakistan Limited	89,296	89,296
450,000	450,000	10	Uqab Breeding Farm Limited (Note 9.3.1)	585	585
150,000	150,000	10	Mubarik Dairies Limited	150	150
300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 9.3.2)	-	-
				90,031	90,031

**9.3.1** Uqab Breeding Farm Limited is under suspension since 09 April 2007. At the date of suspension, its market value per share was nil against its face value of Rupees 10 per share. This investment has been fully provided for in these consolidated financial statements.

**9.3.2** Dadabhoy Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rupees 2.50 against its face value of Rupees 10 per share. However, at the time of conversion of ADBP into the Bank this investment was transferred to the Bank at Rupee 01.

**9.3.3** Market value of listed investments is Rupees 1,549.202 million (2010: Rupees 1,125.188 million).

**9.4 Particulars of investments held in un-listed companies**

Name of Investee	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Name of chief executive/ managing director
<b>Rupees</b>					
Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange Limited) (Note 9.4.1)	4.78%	909,091	(8,538,711)	30 June 2011	Mr. Samir Ahmed
"Saudi Pak Kala Bagh Livestock Limited (Note 9.4.2 & 9.4.4)"	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 9.4.4)	8.33%	2,500	(391,710)	31 March 2011	Maj.Gen.(R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 9.4.3 & 9.4.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

**9.4.1** Due to negative break up value, this investment has been fully provided in these consolidated financial statements.

**9.4.2** Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan obtained from the Bank and the case has been referred to National Accountability Bureau.

**9.4.3** Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

**9.4.4** Investments in Saudi Pak Kalabagh Livestock Limited, Pakistan Agricultural Storage and Services Corporation Limited and Larkana Sugar Mills Limited were transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rupee 01 each.

**9.4.5** Cost of unlisted investments is Rupees 10.523 million and face value of investments in unlisted shares is Rupees 35.788 million.

**9.5 Particulars of investment in units of mutual fund**

Units of Mutual Fund	Name of Management Company	Number of units held	Paid up value per unit	Total paid up/nominal value	Cost as at		
					2011	2010	
<b>Rupees</b>						<b>..... Rupees in '000 ...</b>	
NAFA Government Securities Liquid Fund	NBP National Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited)	9,900,596	10	99,006	-	100,000	

**9.6 Principal terms of investments in market treasury bills - Federal Government Securities**

Name of investment	Maturity period	Note	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills	January 2012 to October 2012	9.6.1	On maturity	11.65 to 13.30	at maturity

**9.6.1** Market treasury bills are held by the Bank which also cover statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities. Market value of treasury bills as on 31 December 2011 is Rupees 9,709.296 million.

**9.6.2** Market treasury bills having amortised cost of Rupees 2.193 million (2010: Pakistan Investment Bonds having amortised cost of Rupees 2.529 million) are pledged / lodged with SBP as security for telegraphic transfer / demand draft discounting facility obtained for branches.

**9.7 Particulars of investments in certificates of investments**

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pak Libya Holding Company (Private) Limited	AA-/A1+	January 2012 to February 2012	at maturity	12.60 to 13.50	at maturity

**9.8 Particulars of investment in subsidiary company (un-listed)**

Name of Investee	Note	Percent-age of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Chief executive
Kissan Support Services (Private) Limited (KSSL) (Ordinary shares)	9.8.1	100%	10,000,000	20.144	31 December 2011	Anjum Saeed Akhtar

9.8 KSSL is a wholly owned subsidiary of the Bank and was incorporated in Pakistan as a private limited company on 19 September 2005. KSSL provides multiple services to the Bank including security and janitorial services.

**9.9 Quality of Available-for-Sale securities**

	2011		2010	
	Market value	Credit Rating	Market value	Credit Rating
	Rupees in '000		Rupees in '000	
<b>Shares in listed companies</b>				
Nestle Pakistan Limited	1,549,122	Unrated	1,022,498	Unrated
Uqab Breeding Farm Limited	-	Unrated	-	Unrated
Mubarak Dairies Limited	80	Unrated	600	Unrated
	<u>1,549,202</u>		<u>1,023,098</u>	
<b>Shares in un-listed companies</b>				
Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange Limited)	-	Unrated	-	Unrated
<b>Units of mutual fund</b>				
NAFA Government Securities Liquid Fund	-	-	102,090	AM2-
	<u>1,549,202</u>		<u>1,125,188</u>	

**10 ADVANCES - NET**

	Note	2011	2010
Rupees in '000			
Loans, etc.			
In Pakistan - gross	10.1	92,032,077	92,466,919
Less:			
- Provision against non-performing advances	10.2	(7,266,212)	(7,654,018)
- Provision against staff advances		(22,159)	(20,307)
		<u>7,288,371</u>	<u>(7,674,325)</u>
Advances-net of provision		<u>84,743,706</u>	<u>84,792,594</u>

**10.1 Particulars of advances (gross)**

10.1.1	In local currency	<u>92,032,077</u>	<u>92,466,919</u>
10.1.2	Short term	53,662,334	53,589,692
	Long term	<u>38,369,743</u>	<u>38,877,227</u>
		<u>92,032,077</u>	<u>92,466,919</u>

- 10.2** Advances include Rupees 19,924.581 million (2010: Rupees 17,244.928 million) which have been placed under non-performing status as detailed below:

Category of classification	2011			2010		
	..... Rupees in '000 .....			..... Rupees in '000 .....		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	12,648,254	-	-	10,730,393	-	-
Substandard	2,496,927	499,380	499,380	1,046,760	209,335	209,335
Doubtful	2,020,112	1,007,544	1,007,544	2,046,182	1,023,090	1,023,090
Loss	2,759,288	2,759,288	2,759,288	3,421,593	3,421,593	3,421,593
	19,924,581	4,266,212	4,266,212	17,244,928	4,654,018	4,654,018
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	19,924,581	4,266,212	7,266,212	17,244,928	4,654,018	7,654,018

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

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
Opening balance	4,654,018	3,000,000	7,654,018	4,401,719	3,000,000	7,401,719
Charge for the year	3,646,103	-	3,646,103	3,107,670	-	3,107,670
Reversals	(2,966,431)	-	2,966,431	(1,742,186)	-	(1,742,186)
	679,672	-	679,672	1,365,484	-	1,365,484
Amounts written off	10.4	-	-	-	-	-
Amounts charged off	10.5	(1,067,478)	1,067,478	(1,113,185)	-	(1,113,185)
Closing balance	4,266,212	3,000,000	7,266,212	4,654,018	3,000,000	7,654,018

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

	2011			2010		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
In local currency	4,266,212	3,000,000	7,266,212	4,654,018	3,000,000	7,654,018

- 10.3.2** Regulations R-17, R-18, R-21 and R-25 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

- 10.3.3** In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,057.947 million (2010: Rupees 1,666.635 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.



	Note	2011	2010
		Rupees in '000	
<b>10.4 Particulars of write offs</b>			
<b>10.4.1</b> Against provisions		-	-
Write offs of Rupees 500,000 and above	10.6	-	-
Write offs of below Rupees 500,000		-	-
		-	-
<b>10.5 Particulars of charged offs</b>			
<b>10.5.1</b> Against provisions		1,067,478	1,113,185
<b>10.5.2</b> Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000		1,067,478	1,113,185
		1,067,478	1,113,185

#### 10.6 Details of write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2011 no write-off or any other financial relief of five hundred thousand Rupees or above was allowed to any person(s).

#### 10.7 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2011 was Rupees 31,552 million (Rupees 33,432 million as at 31 December 2010) with an addition of Rupees 1,067 million (Rupees 1,113 million for the year ended 31 December 2010) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand Rupees is given at Annexure-I.

#### 10.8 Particulars of loans and advances to directors, executives and officers

Debts due by the directors, executives and officers of the bank or any of them either severally or jointly with other persons:

	Note	2011	2010
		Rupees in '000	
Balance at the beginning of year		2,151,881	2,422,307
Loans granted during the year		366,283	127,014
		2,518,164	2,549,321
Repayments		(383,259)	(397,440)
Balance at the end of year		2,134,905	2,151,881
<b>11 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	166,212	86,485
Property and equipment	11.2	1,000,938	1,036,478
Intangible assets	11.3	17	8,770
		1,167,167	1,131,733
<b>11.1 Capital work-in-progress</b>			
Civil works		138,770	68,626
Equipment		13,425	-
Advances to suppliers and contractors		150	9,195
Consultancy charges		10,447	8,062
Others		3,420	602
		166,212	86,485

## 11.2 Property and equipment

Description	COST			ACCUMULATED DEPRECIATION				"Book value at 31 December 2011	Annual rate of Depreciation		
	At 01 January 2011	Additions	(Deletions)/ adjustments	Cost of stolen asset	At 31 December 2011	At 01 January 2011	Charge for the year			Depreciation on (deletions) / adjustments	Depreciation of stolen asset
Land - Freehold	221,895	-	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	10,640	4,499	-	-	15,139	3,184	2,439	-	-	5,623	9,516
Buildings on freehold land	138,505	1,859	-	-	140,364	47,199	4,192	-	-	51,391	88,973
Buildings on leasehold land	328,220	9,183	-	-	337,403	106,449	3,420	-	-	109,869	227,534
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	2,650	929	-	-	3,579	17,645
Furniture and fixtures	90,410	18,751	-	-	109,161	29,075	9,974	-	-	39,049	70,112
Computer, office and other equipment	204,990	43,209	(3,483)	-	244,716	114,086	43,211	(3,474)	-	153,823	90,893
Computer, office and other equipment - ADB	157,519	-	-	-	157,519	142,381	15,138	-	-	157,519	-
Vehicles	751,864	105,515	(28,142)	(3,212)	826,025	443,765	131,295	(22,790)	(615)	551,655	274,370
<b>2011</b>	<b>1,925,267</b>	<b>183,016</b>	<b>(31,625)</b>	<b>(3,212)</b>	<b>2,073,446</b>	<b>888,789</b>	<b>210,598</b>	<b>(26,264)</b>	<b>(615)</b>	<b>1,072,508</b>	<b>1,000,938</b>

..... Rupees in '000 .....

Lease terms for 33 to 99 years

\* This represents the cost and depreciation of the stolen vehicles.

Description	COST				ACCUMULATED DEPRECIATION				"Book value at 31 December 2010	Annual rate of Depreciation		
	At 01 January 2010	Additions	(Deletions)/ adjustments	Cost of stolen asset	At 31 December 2010	At 01 January 2010	Charge for the year	Depreciation on (deletions) / adjustments			Depreciation of stolen asset	At 31 December 2010
..... Rupees in '000 .....												
Land - Freehold	170,961	50,934	-	-	221,895	-	-	-	-	-	221,895	-
Land - Leasehold	10,640	-	-	-	10,640	2,786	398	-	-	3,184	7,456	Lease terms for 33 to 99 years
Buildings on freehold land	137,907	598	-	-	138,505	41,692	5,507	-	-	47,199	91,306	5%
Buildings on leasehold land	319,766	8,454	-	-	328,220	103,405	3,043	-	-	106,449	221,771	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	1,673	978	-	-	2,650	18,574	5%
Furniture and fixtures	76,185	16,529	(2,304)	-	90,410	19,568	9,632	(125)	-	29,075	61,335	10%/20%
Computer, office and other equipment	194,629	12,712	(2,351)	-	204,990	75,099	40,541	(1,554)	-	114,086	90,904	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	-	157,519	101,065	41,316	-	-	142,381	15,138	20/33.33%
Vehicles	617,544	160,934	(23,402)	(3,212) *	751,864	329,326	122,810	(7,756)	(615) *	443,765	308,099	20%
<b>2010</b>	<b>1,706,375</b>	<b>250,161</b>	<b>(28,057)</b>	<b>(3,212)</b>	<b>1,925,267</b>	<b>674,614</b>	<b>224,225</b>	<b>(9,435)</b>	<b>(615)</b>	<b>888,789</b>	<b>1,036,478</b>	

\* This represents the cost and depreciation of the stolen vehicles.

## 11.2.1 Detail of disposal of operating fixed assets during the year

Description	Cost	Accumulated depreciation	Book Value	Sale Proceed	Mode of disposal/ settlement	Particulars of Buyers	Location
..... Rupees in '000 .....							
<b>Vehicles</b>							
Toyota Corolla GLI QH-298	1,412	306	1,106	1,106	As per Bank policy	Mr. Abdul Munaf Sattar, Ex-SEVP	Islamabad
Toyota Corolla QZ-792	1,326	332	994	994	As per Bank policy	Mr. Tahir Anwar Pasha, Ex-EVP	Islamabad
Suzuki Cultus PJ-901	818	382	436	436	As per Bank policy	Mr. Muhammad Ikram, Ex-SVP	Islamabad
Suzuki Cultus NW-113	767	269	498	498	As per Bank policy	Mr. Muhammad Aslam, Ex-SVP	Islamabad
Suzuki Cultus PV-060	758	239	519	518	As per Bank policy	Mr. Shahid Rafiq, Ex-VP/GM (KSSL)	Islamabad
Suzuki Cultus PX-178	758	265	493	493	As per Bank policy	Mr. Anwar Shed, Ex-VP	Islamabad
Toyota Corolla PU-689	758	303	455	455	As per Bank policy	Mr. N. A. Baloch, Ex-VP	Islamabad
Toyota Corolla KF-130	615	346	269	269	As per Bank policy	Malik M. Tariq, Ex-SVP	Islamabad
	7,212	2,442	4,770	4,768			
Other vehicles having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	20,930	20,348	582	584	As per Bank policy	Bank's employees	Islamabad
<b>Elevators</b>							
Items having book value in aggregate more than Rupees 250,000 or cost of more than Rupees 1,000,000	3,483	3,474	9	880	Auction	Mr. Jehanzaib	Islamabad
	31,625	26,264	5,361	6,232			

**2011**      **2010**  
**Rupees in '000**

**11.2.2** Carrying amount of temporarily idle property

80,441      80,441

**11.2.3** The title documents of freehold land having cost of Rupees 81.595 million (2010: Rupees 88.678 million) and leasehold land having book value of Rupees 2.137 million (2010: Rupees 5.403) are still in the name of Agricultural Development Bank of Pakistan.

**11.2.4** The lease tenure of leasehold lands having book value of Rupees 1.473 million (2010: Rupees 3.450 million) have expired and are not yet renewed.

## 11.3

## Intangible assets

Description	COST		ACCUMULATED AMORTIZATION			"Book value at 31 December 2011"	Annual rate of Amortization
	At 01 January 2011	At 31 December 2011	At 01 January 2011	Charge for the year	At 31 December 2011		
..... Rupees in '000 .....							
Computer software	826	-	826	747	63	810	33.33%
Computer software - ADB	80,500	-	80,500	71,809	8,690	80,499	33.33%
<b>2011</b>	<b>81,326</b>	<b>-</b>	<b>81,326</b>	<b>72,556</b>	<b>8,753</b>	<b>81,309</b>	<b>17</b>
..... Rupees in '000 .....							
Description	COST		ACCUMULATED AMORTIZATION			"Book value at 31 December 2010"	Annual rate of Amortization
	At 01 January 2010	At 31 December 2010	At 01 January 2010	Charge for the year	At 31 December 2010		
..... Rupees in '000 .....							
Computer software	799	27	826	507	240	747	33.33%
Computer software - ADB	80,500	-	80,500	46,773	25,035	71,809	33.33%
<b>2010</b>	<b>81,299</b>	<b>27</b>	<b>81,326</b>	<b>47,280</b>	<b>25,275</b>	<b>72,556</b>	<b>8,770</b>

	Note	2011	2010
Rupees in '000			
<b>12 DEFERRED TAX ASSETS / (LIABILITIES) - NET</b>			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
<b>Taxable temporary differences on:</b>			
Accelerated tax depreciation		(58,861)	(87,638)
Surplus on revaluation of assets	21	(145,983)	(93,574)
		<u>(204,844)</u>	<u>(181,212)</u>
<b>Deductible temporary differences on:</b>			
Provision against non-performing loans and advances		536,293	619,872
		<u>331,449</u>	<u>438,660</u>
<b>13 OTHER ASSETS - NET</b>			
Income / mark-up accrued on deposits in local currency		45,613	40,811
Accrued interest / markup on advances	13.1	3,768,872	3,962,768
Stationery and stamps on hand		50,029	49,440
Amount recoverable from Federal Government	13.2	446,388	225,120
Crop loan insurance claim recoverable from Insurance Company		357,815	549,120
Tax recoverable	13.3	391,751	391,751
Non banking assets acquired in satisfaction of claims	13.4	316,982	349,887
Receivable from defined benefit plans	13.5	4,951,267	4,259,062
Stock of farm machinery		13,125	13,138
Advances against salary and expenses		12,134	8,318
Security deposits		2,304	2,260
Advances and other prepayments		204,451	279,961
Others	13.6	134,842	16,692
		<u>10,695,573</u>	<u>10,148,328</u>
Provision held against other assets	13.7	(750,799)	(429,414)
Other assets - net of provisions		<u>9,944,774</u>	<u>9,718,914</u>

**13.1** This does not include Rupees 2,616.037 million (2010: Rupees 2,186.803 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

**13.2** This includes amount recoverable from Federal Government on account of crop loan insurance premium.

**13.3** This includes tax recoverable of Rupees 297.149 million for assessment years 1991-92 to 1998-99 as disclosed in Note 22.2.3 and Rupees 11.243 million for the assessment year 2001-2002 as disclosed in Note 22.2.4.

**13.4** Market value of non-banking assets acquired in satisfaction of claims is Rupees 966.069 million (2010: Rupees 821.787 million).

	Note	2011	2010
Rupees in '000			
<b>13.5</b> Receivable from defined benefit plans			
Pension scheme	34.1.5	3,925,377	3,475,681
Gratuity scheme - Staff Regulations 1975	34.4.1.5	952,808	775,434
Gratuity scheme - SR - 2005	34.4.2.5	73,082	7,947
	13.5.1	<u>4,951,267</u>	<u>4,259,062</u>

- 13.5.1** These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuarial valuation.

	2011	2010
	Rupees in '000	
<b>13.6 Others</b>		
Defence saving certificates	-	3
Advance for purchase of machinery / goods in transit	17	17
Legal charges recoverable on suits filed against loan defaulters	19,851	16,672
Income tax recoverable from employees	114,974	-
	<u>134,842</u>	<u>16,692</u>

**13.7 Provision held against other assets**

Opening balance	429,414	430,623
Charge for the year	321,763	838
Reversals	(378)	(2,047)
	321,385	(1,209)
Amount written off	-	-
Closing balance	<u>750,799</u>	<u>429,414</u>

	Note	2011	2010
		Rupees in '000	
<b>14 BILLS PAYABLE</b>			
-In Pakistan		<u>208,117</u>	<u>306,040</u>
<b>15 BORROWINGS</b>			
-In Pakistan	15.1	<u>51,257,213</u>	<u>51,257,213</u>
<b>15.1 Particulars of borrowings with respect to currencies</b>			
-In local currency	15.2	<u>51,257,213</u>	<u>51,257,213</u>
<b>15.2 Details of borrowings from financial institutions - secured</b>			
Borrowing from State Bank of Pakistan (SBP)			
Agricultural loans	15.3 & 15.4	50,174,089	50,174,089
Agri-project loans	15.3 & 15.4	1,083,124	1,083,124
		<u>51,257,213</u>	<u>51,257,213</u>

- 15.3** As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rupees 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rupees 48.597 billion are based on profit and loss sharing subject to maximum share of profit to the SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of Government of Pakistan (GoP).

- 15.4** These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to the SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP.

**15.5** As a part of restructuring process, the Bank in the year 2003 submitted a proposal to the SBP for restructuring of the total debt according to which the SBP's debt of Rupees 51.257 billion and the SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated 12 June 2003 and capped at the aforesaid mark-up rate for an initial period of five years. SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated 16 December 2004 and ACD/14/Loans-15-A/2004 dated 4 January 2005 agreed with proposed terms except the proposed capping of mark-up rate which was suggested to be fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year. Due to the disagreement on the issue of terms of mark-up, this proposal could not be implemented. Therefore, mark-up / interest on above debt is being charged in the profit and loss account as per original terms of agreement.

In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank, the matter was discussed in the meeting held on 16 January 2008 between representatives of Ministry of Finance (MoF), the Bank and the SBP and also in meetings held thereafter, it was resolved that the SBP in consultation with the Bank and MoF shall firm up proposal regarding the SBP's debt on priority basis. Accordingly, the SBP submitted a proposal pertaining to the Bank's debt restructuring vide letter No. DG/29/08 dated 8 November 2008.

In this regard MoF vide their letter No. F.1(5)1F-I/2007-1217 dated 28 September 2009 advised that Finance Division, the SBP and the Bank will work out a revised proposal to rationalize debt structure of the Bank. As per GoP directive, the SBP presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated 27 October 2009. However, the Bank has requested MoF vide its letter No. 2932 dated 20 November 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated 8 April 2010 that the agreed upon SBP debt restructuring proposal dated 8 November 2008 may be implemented. Thereafter, the SBP revised proposal dated 27 October 2009 was again discussed in a tripartite meeting held in MoF on 7 July 2010 wherein the Bank's representatives stressed that the SBP agreed upon proposal dated 8 November 2008 would be practicable for the Bank. As per minutes of the meeting vide MoF letter No. F.1 (5)IF-I/2007-943 dated 22 July 2010, it was decided that the Bank may come up with a practicable proposal for debt restructuring to be considered by Finance Division and the SBP.

The SBP vide their letter dated 9 February 2011 has submitted a revised proposal, received by the Bank through MoF letter dated 12 February 2011. The Bank's response on the SBP proposal was furnished to MoF vide the Bank's letter dated 22 February 2011 whereby the Bank conveyed its in principal agreement with the revised SBP proposal, subject to some further relaxations. With reference to latest meeting held on this issue on 12 October 2011, among MoF, SBP and the Bank, the MoF has advised the Bank to come with the workable plan to repay these borrowings in 30 years. In order to improve the cash flows of the Bank it has been decided in the aforesaid meeting to remove the cap on lending rates of the Bank's financing to the borrowers. Further, the Bank has been allowed to increase the lending rates gradually in three years.

	Note	2011	2010
Rupees in '000			
<b>16 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers - local currency</b>			
Fixed deposits		361,334	705,947
Saving deposits	16.1	2,150,577	3,434,981
Current accounts - remunerative		169,966	150,942
Current accounts - non-remunerative	16.2	6,251,105	5,275,547
Unclaimed deposits		29,475	35,355
		8,962,457	9,602,772
<b>16.1</b>	This includes Rupees 76.717 million (2010: Rupees 51.711 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 46.907 million (2010: Rupees 32.937 million) as deposit of employees' benefit funds.		
<b>16.2</b>	This includes Rupees 0.478 million (2010: Rupees 0.333 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 0.017 million (2010: Rupees 0.003 million) as deposit of employees' benefit funds.		



**17 SUB-ORDINATED LOAN**

As per restructuring plan of the Bank approved by the ECC of the Cabinet, the SBP's equity holding of Rupees 3.204 billion was converted into subordinated loan on terms to be agreed with the SBP. Accordingly, the Bank submitted a proposal to the SBP for restructuring the debt according to which the SBP's debt of Rupees 51.257 billion and SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated 12 June 2003 and capped at the aforesaid markup rate for an initial period of five years. As explained in Note 15.5, the latest debt restructuring proposal submitted by the SBP and agreed in principal by the Bank is still under consideration and pending approval of all concerned.

	Note	2011	2010
Rupees in '000			
<b>18 OTHER LIABILITIES</b>			
Mark-up payable in local currency		26,464,047	22,985,169
Accrued expenses		101,662	484,362
Taxation (provisions less payments)		2,123,836	1,510,825
Branch adjustment account		426,418	570,579
Payable to Ministry of Food Agriculture and Livestock	18.1	176,100	176,100
Profit payable on deposits and other accounts		65,897	67,645
Net liabilities relating to Bangladesh	18.2	189	189
Provision for employees' post retirement medical benefits	34.5	4,049,164	4,052,253
Provision for employees' compensated absences	34.6	343,973	798,452
Payable to subsidiary company	38	9,836	11,507
Security deposits		13,791	15,046
Deferred income	18.3	17,647	68,671
Others	18.4	721,823	770,160
		<u>34,514,383</u>	<u>31,510,958</u>

**18.1** This represents the amount of Rupees 8.100 million (2010: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2010: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2011	2010
Rupees in '000			
<b>18.2 Net liabilities relating to Bangladesh</b>			
Liabilities		1,519,405	1,490,115
Assets		(1,519,216)	(1,489,926)
	18.2.1	<u>189</u>	<u>189</u>

**18.2.1** This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F.5(12)PEC(op-FR)/78-236 dated 6 May 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the balance sheet only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2011	2010
Rupees in '000			
<b>18.3 Deferred Income</b>			
Opening balance		68,671	136,000
Additions during the year		-	-
Amortization during the year	25	(51,024)	(67,329)
Closing balance		<u>17,647</u>	<u>68,671</u>

**18.3.1** Deferred income comprises of the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

**18.4** This represents various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding tax, contribution received from borrowers, etc.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

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

### 19.2 Issued, subscribed and paid up capital

2011	2010		2011	2010
		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	Issued as bonus shares	652,829	652,829
<u>1,252,244,067</u>	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

19.3	Shareholder	No of ordinary shares	Paid-up value per share	2011	2010
Rupees in '000					
	Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
	Government of Punjab	292,340	10	2,923	2,923
	Government of Sindh	125,545	10	1,256	1,256
	Government of Khyber Pakhtunkhwa	71,740	10	717	717
	Government of Balochistan	37,875	10	379	379
	Erstwhile East Pakistan	527,500	10	5,275	5,275
		<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

**20 RESERVES**

	Statutory reserves	Revenue reserve Contingencies reserve	2011	2010
..... Rupees in '000 .....				
Opening balance	1,824,411	60,000	1,884,411	1,511,554
Transfer from unappropriated profit	429,030	-	429,030	372,857
Closing balance	<u>2,253,441</u>	<u>60,000</u>	<u>2,313,441</u>	<u>1,884,411</u>

**20.1** Statutory reserve represents reserve maintained as per requirement of section 21 of the Banking Companies Ordinance, 1962.

**20.2** The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

	2011	2010
Rupees in '000		
<b>21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus arising on revaluation of available-for-sale securities:		
Quoted Investments	1,459,826	933,652
Mutual fund	-	2,090
	<u>1,459,826</u>	<u>935,742</u>
Related deferred tax liability	<u>(145,983)</u>	<u>(93,574)</u>
	<u>1,313,843</u>	<u>842,168</u>

**22 CONTINGENCIES AND COMMITMENTS****22.1 Contingent assets**

**22.1.1** The Government of Pakistan has reduced the markup rates on the Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. 01 July 2004. As per the directive of the Bank's Board of Directors, the Bank has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rupees 26,904 million for the period from 01 July 2004 to 31 December 2011 (2010: Rupees 22,293 million). However, this amount has not been accounted for in the financial statements as the formal approval from Ministry of Finance has not been received by the Bank.

**22.1.2** There is a contingent asset of an amount of Rupees 1.708 billion (2010: Rupees 752.444 million) receivable from the Federal Government on account of following President Relief Packages.

	2011	2010
Rupees in '000		
Advances outstanding as at 30 April 2007 receivable from borrowers of Badin, Umerkot and Tharparkar districts	752,444	752,444
Advances outstanding as at 04 August 2008 from borrowers of Girdawar Circles of Mathra and Khalisa of Peshawar districts	61,168	-
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	-
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	-
	<u>1,707,726</u>	<u>752,444</u>

## 22.2 Contingent liabilities

<b>22.2.1</b>	Contingent liabilities in respect of 590 cases (2010: 624 cases) filed against the Bank by various borrower.	<u>8,682,362</u>	<u>9,711,832</u>
<b>22.2.2</b>	Contingent liabilities in respect of 340 cases (2010: 263 cases) filed against the Bank in various courts of law by the employees.	<u>144,994</u>	<u>148,857</u>
<b>22.2.3</b>	There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under Section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP has decided that Section 27-A of the ADBP Ordinance should prevail over the said Section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP in lieu of the aforesaid decision.		
<b>22.2.4</b>	Income Tax Department under section 89/205 of the Income Tax Ordinance, 1979 levied income tax amounting to Rupees 11.243 million for the assessment year 2001-2002. The Bank has paid the amount as it was a mandatory payment. The Bank has filed appeals before the CIT(A). The Bank has accounted for the payment as tax recoverable as a favorable decision is expected.		
<b>22.2.5</b>	The cases relating to taxation matters of the Bank for the assessment years 2002-2003, and tax years 2003 to 2009 were contested by the Bank at various forums. Appellate Tribunal Inland Revenue (ATIR) vide its orders dated 9 June 2010 and 22 July 2011, has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 2,369.698 million. However, CIR has filed reference applications under section 133 of Income Tax Ordinance, 2001 against the aforementioned ATIR orders before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2006, 2007, 2008 and 2009. Further, the Bank has filed appeal before ATIR against orders of CIR(A) relating to tax years 2008 and 2009 where the hearing proceeding has been completed. No provision for income tax involved of approximately Rupees 5,254.650 million has been recognized in these financial statements as the Bank is confident for a favourable outcome in this regard based on strong grounds of appeal.		
<b>22.2.6</b>	ACIR has raised demand of Rupees 429.747 million under section 161 of Income Tax Ordinance, 2001 for the tax year 2010. The CIR(A) against appeal of the aforesaid order remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank has filed an appeal before the ATIR against the aforesaid order where the hearing proceeding has been completed. No provision for income tax involved has been recognized in these financial statement as the Bank expects a favourable outcome of the matter.		
<b>22.2.7</b>	The SBP debt of Rupees 80.926 billion (Principal Rupees 54.462 billion and mark-up Rupees 26.464 billion) is in the process of repricing / restructuring as explained in Note 15.5. Consequent upon reworking of accrued mark up as advised by the SBP and as explained in Note 15.5 the resultant additional mark up amounting to Rupees 2.729 billion has not been accounted for in these financial statements, pending formal approval of the debt restructuring proposal including approval of the Bank claim of differential of mark-up amounting to Rupees 26.904 billion from GoP.		

	Note	2011	2010
Rupees in '000			
<b>23</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On loans and advances to customers	7,349,613	7,415,104
	On investments in held to maturity securities	1,224,384	683,104
	On deposits with financial institutions	936,331	798,493
		9,510,328	8,896,701
<b>24</b>	<b>MARK UP / RETURN / INTEREST EXPENSED</b>		
	On deposits	250,723	197,944
	On borrowings and subordinated debt - State Bank of Pakistan	3,541,950	3,512,741
	Bank commission and other charges	2,064	3,080
		3,794,737	3,713,765
<b>25</b>	<b>OTHER INCOME</b>		
	Rent on property - KSSL - subsidiary company	9,721	13,217
	Rent on property - others	20,147	17,607
		29,868	30,824
	Recoveries of charged off amounts	2,336,874	2,947,065
	"Recoveries against loans written-off under Government relief packages"	-	760,000
	Gain on sale of operating fixed assets	871	1,942
	Loan application fee	400,834	305,445
	Deferred income amortization	18.3	51,024
	Others	25.1	194,691
		3,029,214	4,307,296
<b>25.1</b>	<b>OTHERS</b>		
	Sale proceeds of loan application forms	18,296	8,390
	Postal charges received from loanees	78,014	42,631
	Accounting and other services rendered to KSSL - subsidiary company	14,370	16,065
	Miscellaneous income	25.1.1	99,063
		209,743	194,691

**25.1.1** This includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.

**26 ADMINISTRATIVE EXPENSES**

Salaries, allowances and benefits		3,828,864	4,179,216
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	34.1.7	(449,696)	(455,630)
- Benevolent scheme - officers / executives	34.2.7	-	303,138
- Benevolent scheme - clerical / non-clerical	34.3.7	-	82,461
- Gratuity under old staff regulations	34.4.1.7	(177,374)	(130,691)
- Gratuity scheme - staff regulation 2005	34.4.2.7	140,106	149,215
- Employees' compensated absences	34.6.1	(454,479)	(395,897)
		(941,443)	(447,404)
Contribution to defined contribution plan - provident fund		41,102	43,456
Non-executive directors' fees and other expenses		9,304	2,598
Rent, taxes, insurance, electricity, etc.		190,134	153,408
Legal and professional charges		64,591	50,062
Communications		50,830	41,438
Repairs and maintenance		33,514	28,634
Motor vehicle expenses		293,700	245,744
Traveling expenses		112,474	133,443
Stationery and printing		61,899	50,804
Advertisement and publicity		18,365	47,503
Auditors' remuneration	26.1	4,640	4,219
Depreciation - tangible	11.2	210,598	224,225
Amortization - intangible	11.3	8,753	25,275
Services rendered by KSSL - subsidiary company		383,490	424,009
Commutation to employees	26.2	41,182	11,063
Others		90,849	72,582
		<u>4,502,846</u>	<u>5,290,275</u>

**26.1 Auditors' Remuneration**

	2011		Total
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	
	..... Rupees in '000 .....		
Audit fee	727	727	1,454
Fee for half year review	182	182	364
Consolidation of the financial statements of subsidiary company	220	220	440
Other certification	398	398	796
Out of pocket expenses	793	793	1,586
	<u>2,320</u>	<u>2,320</u>	<u>4,640</u>

	2010		Total
	Ilyas Saeed & Co. Chartered Accountants	Anjum Asim Shahid Rahman Chartered Accountants	
	..... Rupees in '000 .....		
Audit fee	661	661	1,322
Fee for half year review	165	165	330
Consolidation of the financial statements of subsidiary company	200	200	400
Other certification	363	362	725
Out of pocket expenses	721	721	1,442
	2,110	2,109	4,219

## 26.2 Commutation to employees

### - Under Staff Regulations - 2005

Commutation to employees under Staff Regulations - 2005 (SR - 2005) comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers / executives under SSR-1961 opted for SR - 2005) and amount received from pension fund thereof.

### - Voluntary Golden Handshake Scheme - 2011 for drivers

All drivers of the Bank having age between 55-59 years as on 1 January 2011 were entitled for Voluntary Golden Handshake Scheme (VGHSS - 2011) subject to completion of 10-20 years of service. VGHSS-2011 comprises commutation of pension, compensation, leave encashment, general provident fund, benevolent fund grant and medical facilities.

	Note	2011	2010
		Rupees in '000	
<b>27 OTHER CHARGES</b>			
Penalties imposed by SBP		2,280	691
Fixed assets - written off		-	719
		<u>2,280</u>	<u>1,410</u>
<b>28 TAXATION</b>			
For the year:			
Current	28.1	1,077,208	1,192,110
Deferred		54,802	(178,554)
For prior years:			
Current		-	-
		<u>1,132,010</u>	<u>1,013,556</u>

	2011	2010
	Rupees in '000	
<b>28.1 Relationship between income tax expense and accounting profit</b>		
Accounting profit for the year	3,277,159	2,877,842
Add:		
Accounting depreciation and amortization	219,351	249,500
Penalties imposed by SBP	2,280	691
Provision charged against non performing advances as per Prudential Regulations	681,523	1,365,024
	903,154	1,615,215
Less:		
Tax depreciation	136,603	114,941
Provision against non performing advances allowed up to 1% of gross advances	920,321	924,669
Dividend, capital gain and rental income for separate consideration	63,771	66,244
	1,120,695	1,105,854
	3,059,618	3,387,203
Income tax - excluding dividend, capital gain and rental income	1,070,866	1,185,521
Income tax on dividend, capital gain and rental income	6,342	6,589
Income tax for the current period	1,077,208	1,192,110
Applicable tax rate	35%	35%

	2011	2010
<b>29 BASIC EARNINGS PER SHARE</b>		
Profit after tax for the year - Rupees in '000	2,145,149	1,864,286
Weighted average number of ordinary shares outstanding during the year	1,252,244,067	1,252,244,067
Basic earnings per share in Rupees	1.713	1.489

**30 DILUTED EARNINGS PER SHARE**

There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at 31 December 2011.

	Note	2011	2010
		Rupees in '000	
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	7	3,056,462	2,745,611
Balances with other banks	8	11,176,444	10,916,739
		14,232,906	13,662,350

	Number	
<b>32 STAFF STRENGTH</b>		
Permanent	5,789	5,494
Contractual	54	54
Total staff strength	5,843	5,548

**33 CREDIT RATING**

JCR-VIS Credit Rating Company, Karachi in its report dated 05 April 2012 has reaffirmed credit rating of the Bank at AAA/A-1+ (2010 : AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B (2010 : B+ medium to long term, B short term rating)



### 34 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Bank operates the following retirement benefit plans for its employees:

Pension Scheme - funded  
 Benevolent Scheme - funded  
 Post Retirement Medical Benefits - unfunded  
 Employees Gratuity Scheme - funded  
 Employees Compensated Absences - unfunded  
 Defined Contribution Plan

#### 34.1 Pension scheme

##### 34.1.1 General description

For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

##### 34.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2011. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2011	2010
	..... % .....	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25
Indexation in pension	7.50	8.75

	Note	2011	2010
		Rupees in '000	
<b>34.1.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		1,202,368	1,331,777
Current service cost		35,820	13,477
Interest cost		164,620	179,485
Benefits paid		(97,527)	(102,844)
Actuarial loss / (gain) on obligation		197,824	(219,527)
Present value of obligation as at 31 December		<u>1,503,105</u>	<u>1,202,368</u>
<b>34.1.4 Changes in the fair value of plan assets</b>			
Total assets as on 01 January		4,609,499	5,180,979
Expected return on plan assets		650,136	648,592
Refund		-	(1,030,633)
Benefits paid		(97,527)	(102,844)
Actuarial gain / (loss) on assets		44,065	(86,595)
Total assets as at 31 December		<u>5,206,173</u>	<u>4,609,499</u>

**34.1.5 Amounts recognized in statement of financial position**

Present value of defined benefit obligation		1,503,105	1,202,368
Fair value of plan assets		(5,206,173)	(4,609,499)
Net actuarial gains not recognized		(222,309)	(68,550)
Asset recognized in the statement of financial position	13.5	<u>(3,925,377)</u>	<u>(3,475,681)</u>

**Note**                      **2011**                      **2010**  
**Rupees in '000**

**34.1.6 Movement in net asset recognized**

Opening net assets		(3,475,681)	(4,050,684)
Credit for the year	34.1.7	(449,696)	(455,630)
Refund during the year		-	1,030,633
Closing net asset		<u>(3,925,377)</u>	<u>(3,475,681)</u>

**34.1.7 Income recognized in the profit and loss account**

Current service cost		35,820	13,477
Interest cost		164,620	179,485
Expected return on plan assets		(650,136)	(648,592)
		<u>(449,696)</u>	<u>(455,630)</u>

**34.1.8 Actual return on plan assets**

Actual return on plan assets		<u>694,201</u>	<u>561,997</u>
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<b>34.1.9 Composition of fair value of plan assets</b>	<b>2011</b>		<b>2010</b>	
	<b>Fair value</b>	<b>%</b>	<b>Fair value</b>	<b>%</b>
	<b>Rupees in '000</b>		<b>Rupees in '000</b>	
Government securities	2,744,217	52.71	761,538	16.52
Term deposit receipts	2,436,956	46.81	3,812,054	82.70
Deposits in the Bank	10,763	0.21	36,214	0.79
Debtors and creditors	14,237	0.27	(307)	(0.01)
Fair value of total plan assets	<u>5,206,173</u>	<u>100.00</u>	<u>4,609,499</u>	<u>100.00</u>

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	..... Rupees in '000 .....				

**34.1.10 Other relevant details**

Present value of defined benefit obligation	1,503,105	1,202,368	1,331,776	2,267,226	1,838,739
Fair value of plan assets	(5,206,173)	(4,609,499)	(5,180,979)	(5,114,465)	(4,751,634)
Surplus in pension fund	<u>(3,703,068)</u>	<u>(3,407,131)</u>	<u>(3,849,203)</u>	<u>(2,847,239)</u>	<u>(2,912,895)</u>
Experience adjustment	(197,824)	219,527	24,259	(288,108)	(84,287)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(197,824)</u>	<u>219,527</u>	<u>24,259</u>	<u>(288,108)</u>	<u>(84,287)</u>
Experience adjustment	44,065	(86,595)	(70,837)	(90,270)	94,677
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>44,065</u>	<u>(86,595)</u>	<u>(70,837)</u>	<u>(90,270)</u>	<u>94,677</u>

**34.2 Benevolent scheme - officers / executives****34.2.1 General description**

For all officers / executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rupees 100, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

**34.2.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	..... % .....	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25
	<b>Note</b>	
	<b>2011</b>	<b>2010</b>
	<b>Rupees in '000</b>	
<b>34.2.3 Changes in the present value of obligation</b>		
Present value of obligation as on 01 January	177,105	165,502
Current service cost	7,503	5,689
Interest cost	24,558	22,497
Benefits paid	(9,861)	(9,947)
Actuarial loss / (gain) on obligation	11,828	(6,636)
Present value of obligation as at 31 December	<u>211,133</u>	<u>177,105</u>
<b>34.2.4 Changes in the fair value of plan assets</b>		
Total assets as on 01 January	545,226	502,094
Expected return on plan assets	77,015	69,620
Benefits paid	(9,861)	(9,947)
Actuarial loss on assets	(3,017)	(16,541)
Total assets as at 31 December	<u>609,363</u>	<u>545,226</u>
<b>34.2.5 Amounts recognized in the statement of financial position</b>		
Present value of defined benefit obligation	211,133	177,105
Fair value of plan assets	(609,363)	(545,226)
Unrecognized actuarial gain	8,705	23,549
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"	389,525	344,572
Asset recognized in the statement of financial position	<u>-</u>	<u>-</u>
<b>34.2.6 Movement in net asset recognized</b>		
Opening net receivable		- (303,138)
Credit for the year	34.2.7	<u>- 303,138</u>
Closing net receivable		<u>- -</u>

**34.2.7 Expense recognized in profit and loss account**

Current service cost	7,503	5,689
Interest cost	24,558	22,497
Expected return on plan assets	(77,015)	(69,620)
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"	44,954	344,572
	<u>-</u>	<u>303,138</u>

**34.2.8 Actual return on plan assets**

Actual return on plan assets	<u>73,998</u>	<u>53,079</u>
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	2011		2010	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
34.2.9 Composition of fair value of plan assets				
Government securities	347,352	57.00	90,294	16.56
Term deposit receipts	241,570	39.64	435,088	79.80
Deposits in the Bank	3,703	0.61	5,218	0.96
Debtors and creditors	16,738	2.75	14,626	2.68
Fair value of total plan assets	<u>609,363</u>	<u>100.00</u>	<u>545,226</u>	<u>100.00</u>

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
34.2.10 Other relevant details					
Present value of defined benefit obligation	211,133	177,105	165,502	157,652	208,563
Fair value of plan assets	(609,363)	(545,226)	(502,094)	(463,458)	(437,347)
Surplus in benevolent scheme - officers / executives	<u>(398,230)</u>	<u>(368,121)</u>	<u>(336,592)</u>	<u>(305,806)</u>	<u>(228,784)</u>
Experience adjustment	(11,828)	6,636	9,424	70,580	(24,841)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(11,828)</u>	<u>6,636</u>	<u>9,424</u>	<u>70,580</u>	<u>(24,841)</u>
Experience adjustment	(3,017)	(16,541)	(32,950)	(26,390)	(7,521)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	<u>(3,017)</u>	<u>(16,541)</u>	<u>(32,950)</u>	<u>(26,390)</u>	<u>(7,521)</u>

**34.3 Benevolent scheme - clerical / non-clerical****34.3.1 General description**

For all clerical / non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rupees 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

**34.3.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	Note	2011	2010
		..... % .....	
Valuation discount rate		13.00	14.25
Expected rate of increase in salary		10.75	12.00
Expected rate of return on investments		13.00	14.25
		<b>2011</b>	<b>2010</b>
		<b>Rupees in '000</b>	
<b>34.3.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		20,014	34,041
Current service cost		1,115	1,471
Interest cost		2,759	4,689
Benefits paid		(1,353)	(1,130)
Actuarial loss / (gain) on obligation		835	(19,057)
Present value of obligation as at 31 December		<u>23,370</u>	<u>20,014</u>
<b>34.3.4 Changes in the fair value of plan assets</b>			
Total assets as on 01 January		240,105	224,993
Expected return on plan assets		34,122	31,423
Benefits paid		(1,353)	(1,130)
Actuarial gain / (loss) on assets		419	(15,181)
Total assets as at 31 December		<u>273,293</u>	<u>240,105</u>
<b>34.3.5 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		23,370	20,014
Fair value of plan assets		(273,293)	(240,105)
Net actuarial gains not recognized		96,029	101,618
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"		153,894	118,473
Asset recognized in the statement of financial position		<u>-</u>	<u>-</u>
<b>34.3.6 Movement in net asset recognized</b>			
Opening net receivable		-	(82,461)
Credit for the year	34.3.7	-	82,461
Closing net receivable		<u>-</u>	<u>-</u>
<b>34.3.7 Expense recognized in profit and loss account</b>			
Current service cost		1,115	1,471
Interest cost		2,759	4,689
Expected return on plan assets		(34,122)	(31,423)
Actuarial gains recognized		(5,174)	(10,749)
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"		35,422	118,473
		<u>-</u>	<u>82,461</u>

**34.3.8 Actual return on plan assets**

Actual return on plan assets		34,541	16,242
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	2011		2010	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
<b>34.3.9 Composition of fair value of plan assets</b>				
Government securities	121,139	44.33	24,293	10.12
Term deposit receipts	156,419	57.23	220,947	92.02
Deposits in the Bank	4,824	1.77	4,372	1.82
Debtors and creditors	(9,089)	(3.33)	(9,507)	(3.96)
Fair value of total plan assets	<u>273,293</u>	<u>100.00</u>	<u>240,105</u>	<u>100.00</u>

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
<b>34.3.10 Other relevant details</b>					
Present value of defined benefit obligation	23,370	20,014	34,041	32,555	41,989
Fair value of plan assets	(273,293)	(240,105)	(224,993)	(195,519)	(181,826)
Surplus in benevolent scheme - clerical / non-clerical	<u>(249,923)</u>	<u>(220,091)</u>	<u>(190,952)</u>	<u>(162,964)</u>	<u>(139,837)</u>
Experience adjustment	(835)	19,057	3,695	14,700	6,368
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(835)</u>	<u>19,057</u>	<u>3,695</u>	<u>14,700</u>	<u>6,368</u>
Experience adjustment	419	(15,181)	(4,376)	(11,052)	(23,706)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>419</u>	<u>(15,181)</u>	<u>(4,376)</u>	<u>(11,052)</u>	<u>(23,706)</u>

**34.4 Gratuity scheme****34.4.1 Gratuity under old Staff Regulations****34.4.1.1 General description**

For employees who opted for the scheme introduced in 1975 for clerical/non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

**34.4.1.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	..... % .....	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25

	Note	2011	2010		
		Rupees in '000			
<b>34.4.1.3 Changes in the present value of obligation</b>					
Present value of obligation as on 01 January		-	357,969		
Current service cost		-	40		
Interest cost		-	49,420		
Benefits paid		-	(10,277)		
Actuarial gain on obligation		-	(397,152)		
Present value of obligation as at 31 December		-	-		
<b>34.4.1.4 Changes in the fair value of plan assets</b>					
Total assets as on 01 January		1,244,730	1,483,278		
Expected return on plan assets		177,374	180,151		
Contributions		-	(395,993)		
Benefits paid		-	(10,277)		
Actuarial gain / (loss) on assets		3,700	(12,429)		
Total assets as at 31 December		1,425,804	1,244,730		
<b>34.4.1.5 Amounts recognized in the statement of financial position</b>					
Fair value of plan assets		(1,425,804)	(1,244,730)		
Net actuarial gains not recognized		472,996	469,296		
Asset recognized in the statement of financial position	13.5	(952,808)	(775,434)		
<b>34.4.1.6 Movement in net asset recognized</b>					
Opening net assets		(775,434)	(1,040,736)		
Credit for the year	34.4.1.7	(177,374)	(130,691)		
Contribution to fund during the year		-	395,993		
Closing net assets		(952,808)	(775,434)		
<b>34.4.1.7 Income recognized in profit and loss account</b>					
Current service cost		-	40		
Interest cost		-	49,420		
Expected return on plan assets		(177,374)	(180,151)		
		(177,374)	(130,691)		
<b>34.4.1.8 Actual return on plan assets</b>					
Actual return on plan assets		181,074	161,722		
<b>34.4.1.9 Composition of fair value of plan assets</b>					
		2011		2010	
		Fair value	%	Fair value	%
		Rupees in '000		Rupees in '000	
Government securities		333,314	23.37	59,680	4.78
Term deposit receipts		1,081,274	75.84	1,185,259	95.23
Deposits in the Bank		7,995	0.56	2,798	0.23
Debtors and creditors		3,221	0.23	(3,007)	(0.24)
Fair value of total plan assets		1,425,804	100.00	1,244,730	100.00

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
<b>34.4.1.10 Other relevant details</b>					
Present value of defined benefit obligation	-	-	357,969	6	13
Fair value of plan assets	(1,425,804)	(1,244,730)	(1,483,278)	(1,588,217)	(1,458,085)
Surplus in gratuity under old staff regulations	(1,425,804)	(1,244,730)	(1,125,309)	(1,588,211)	(1,458,072)
Experience adjustment	-	397,152	(13,520)	(9,372)	(6,782)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	-	397,152	(13,520)	(9,372)	(6,782)
Experience adjustment	3,700	(12,429)	(35,230)	(7,763)	(5,905)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	3,700	(12,429)	(35,230)	(7,763)	(5,905)

#### 34.4.2 Gratuity under Staff Regulations - 2005 (SR-2005)

##### 34.4.2.1 General description

The Bank also operates a separate Gratuity Fund scheme, w.e.f August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.

##### 34.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	..... % .....	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25

**2011**      **2010**  
**Rupees in '000**

##### 34.4.2.3 Changes in the present value of obligation

Present value of obligation as on 01 January	612,864	551,398
Current service cost	174,640	149,830
Interest cost	86,502	76,471
Benefits paid	(12,066)	(10,703)
Actuarial gain on obligation	(57,132)	(154,132)
Present value of obligation as at 31 December	<u>804,808</u>	<u>612,864</u>

##### 34.4.2.4 Changes in the fair value of plan assets

Total assets as on 01 January	730,213	446,349
Expected return on plan assets	117,361	77,086
Contributions	205,241	226,293
Benefits paid	(12,066)	(10,703)
Actuarial loss on assets	(2,186)	(8,812)
Total assets as at 31 December	<u>1,038,563</u>	<u>730,213</u>



	Note	2011	2010
Rupees in '000			
<b>34.4.2.5 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		804,808	612,864
Fair value of plan assets		(1,038,563)	(730,213)
Net actuarial gains not recognized		160,673	109,402
Asset recognized in the statement of financial position	13.5	<u>(73,082)</u>	<u>(7,947)</u>
<b>34.4.2.6 Movement in net (asset) / liability recognized</b>			
Opening net (asset) / liability		(7,947)	69,131
Charge for the year	34.4.2.7	140,106	149,215
Contribution to fund during the year		<u>(205,241)</u>	<u>(226,293)</u>
Closing net asset		<u>(73,082)</u>	<u>(7,947)</u>
<b>34.4.2.7 Expense recognized in profit and loss account</b>			
Current service cost		174,640	149,830
Interest cost		86,502	76,471
Expected return on plan assets		(117,361)	(77,086)
Actuarial gains recognized		<u>(3,675)</u>	<u>-</u>
		<u>140,106</u>	<u>149,215</u>
<b>34.4.2.8 Actual return on plan assets</b>			
Actual return on plan assets		<u>115,175</u>	<u>68,274</u>

	2011		2010	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
<b>34.4.2.9 Composition of fair value of plan assets</b>				
Government securities	442,588	42.62	-	-
Term deposit receipts	558,840	53.81	697,283	95.49
Deposits in the Bank	19,641	1.89	32,937	4.51
Debtors and creditors	17,494	1.68	(7)	(0.00)
Fair value of total plan assets	<u>1,038,563</u>	<u>100.00</u>	<u>730,213</u>	<u>100.00</u>

	2011	2010	2009	2008	2007
..... Rupees in '000 .....					
<b>34.4.2.10 Other relevant details</b>					
Present value of defined benefit obligation	804,808	612,864	551,398	388,796	270,819
Fair value of plan assets	<u>(1,038,563)</u>	<u>(730,213)</u>	<u>(446,349)</u>	<u>(249,150)</u>	<u>(95,121)</u>
(Surplus) / deficit in gratuity under staff regulations - 2005 (SR-2005)	<u>(233,755)</u>	<u>(117,349)</u>	<u>105,049</u>	<u>139,646</u>	<u>175,698</u>
Experience adjustment	57,132	154,132	(6,896)	325	(46,083)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>57,132</u>	<u>154,132</u>	<u>(6,896)</u>	<u>325</u>	<u>(46,083)</u>
Experience adjustment	(2,186)	(8,812)	2,028	12,019	2,689
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	<u>(2,186)</u>	<u>(8,812)</u>	<u>2,028</u>	<u>12,019</u>	<u>2,689</u>

**34.5 Post retirement medical benefits****34.5.1 General description**

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

**34.5.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	..... % .....	
Valuation discount rate	13.25	14.25
Medical inflation rate	7.50	8.75

	Note	2011	2010
		Rupees in '000	
<b>34.5.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		921,360	2,543,255
Current service cost		150,661	33,444
Interest cost		130,030	354,605
Benefits paid		(18,361)	(21,419)
Actuarial gain on obligation		(89,849)	(1,988,525)
Present value of obligation as at 31 December		<u>1,093,841</u>	<u>921,360</u>
<b>34.5.4 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		1,093,841	921,360
Net actuarial gains not recognized		2,955,323	3,130,893
Liability recognized in the statement of financial position	18	<u>4,049,164</u>	<u>4,052,253</u>
<b>34.5.5 Movement in net liability recognized</b>			
Opening net liability		4,052,253	3,812,486
Charge for the year	34.5.6	15,272	261,186
Benefits paid during the year		(18,361)	(21,419)
Closing net liability		<u>4,049,164</u>	<u>4,052,253</u>
<b>34.5.6 Expense recognized in profit and loss account</b>			
Current service cost		150,661	33,444
Interest cost		130,030	354,605
Actuarial gains recognized		(265,419)	(126,863)
		<u>15,272</u>	<u>261,186</u>
<b>34.5.7 Post retirement medical benefits - sensitivity analysis</b>			
Medical cost trend (%)	6.50%	7.50%	8.50%
Obligation (Rupees in '000)	62,544	70,758	80,725
Regular cost (Rupees in '000)	9,743	11,224	13,038

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
<b>34.5.8 Other relevant details</b>					
Present value of defined benefit obligation	1,093,841	921,360	2,543,255	2,512,406	2,107,028
Deficit in post retirement medical benefits	1,093,841	921,360	2,543,255	2,512,406	2,107,028
Experience adjustment	89,849	1,988,525	360,274	(138,399)	(73,176)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	89,849	1,988,525	360,274	(138,399)	(73,176)

#### 34.6 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method. The valuation used discount rate of 13.00% per annum and expected rate of increase in salary of 10.75% per annum.

	2011	2010
	Rupees in '000	
<b>34.6.1 Movement in net liability recognized for compensated absences</b>		
Opening net liability	798,452	1,194,349
Net reversal for the year	(454,479)	(395,897)
Closing net liability	343,973	798,452

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

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
Opening net liability	798,452	1,194,349	952,253	708,771	437,659
Net (reversal) / charged for the year	(454,479)	(395,897)	242,096	243,482	271,112
	343,973	798,452	1,194,349	952,253	708,771

#### 34.7 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2120 (2010: 2039) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 3668 (2010: 3455) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 41.102 million (2010: Rupees 43.456 million) in respect of this fund.

**35 COMPENSATION OF ACTING PRESIDENT / CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these financial statements for compensation, including all benefits to the Acting President / Chief Executive, Directors and Executives of the Bank is as follows:

	Acting President		President		Directors		Executives	
	2011	2010	2011	2010	2011	2010	2011	2010
	..... Rupees in '000 .....							
Fee	-	-	-	-	9,304	2,598	-	-
Managerial remuneration	1,021	-	-	-	-	-	1,905,856 *	1,514,330
Charged for defined benefit plan	78	-	-	-	-	-	123,479 **	118,210
Contribution to defined benefit fund	-	-	-	-	-	-	20,997	20,223
Rent and house maintenance	-	-	-	-	-	-	10,336	10,770
Utilities	-	-	-	-	-	-	2,584	2,693
Medical	-	-	-	116	-	-	2,929	3,032
Conveyance	-	-	402	387	-	-	2,786	3,111
Furnishing allowance	-	-	-	-	-	-	2,393	4,710
Club facility	-	-	14	18	-	-	-	-
	1,099	-	416	521	9,304	2,598	2,071,360	1,677,079
<b>Number of persons</b>	1	-	1	1	11	11	1,587	1,590

\* It includes an amount of Rupees 4.843 million relating to Acting President pertaining to the period prior to her appointment as Acting President.

\*\* It includes an amount of Rupees 0.326 million relating to Acting President pertaining to the period prior to her appointment as Acting President.

**35.1** The Chief executive, senior vice presidents and above, other than covered under SR-2005, have been provided with Bank maintained cars. Vice presidents and above, governed by SR-2005, have also been provided cars under Cars Loan Depreciation Policy (CLDP).

**36 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in Note 5.2 to these financial statements.

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

## 37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Agri Financing
	..... Rupees in '000 .....								
<b>2011</b>									
Total income	-	-	-	-	-	-	-	-	12,580,647
Total expenses	-	-	-	-	-	-	-	-	9,303,488
Net income before tax	-	-	-	-	-	-	-	-	3,277,159
Taxation	-	-	-	-	-	-	-	-	1,132,010
Income after tax	-	-	-	-	-	-	-	-	2,145,149
Segment assets (gross)	-	-	-	-	-	-	-	-	130,518,308
Segment non performing loans	-	-	-	-	-	-	-	-	19,924,581
Segment provision required	-	-	-	-	-	-	-	-	4,266,212
Segment liabilities	-	-	-	-	-	-	-	-	98,146,493
Segment return on net assets (%)	-	-	-	-	-	-	-	-	8.82%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.98%
<b>2010</b>									
Total income	-	-	-	-	-	-	-	-	14,230,023
Total expenses	-	-	-	-	-	-	-	-	11,352,181
Net income before tax	-	-	-	-	-	-	-	-	2,877,842
Taxation	-	-	-	-	-	-	-	-	1,013,556
Income after tax	-	-	-	-	-	-	-	-	1,864,286
Segment assets (gross)	-	-	-	-	-	-	-	-	125,700,796
Segment non performing loans	-	-	-	-	-	-	-	-	17,244,928
Segment provision required	-	-	-	-	-	-	-	-	4,654,018
Segment liabilities	-	-	-	-	-	-	-	-	95,881,306
Segment return on net assets (%)	-	-	-	-	-	-	-	-	8.59%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.80%

### 38 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its subsidiary company, employee benefit plans and key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. Details of loans and advances to directors, executives and officers of the Bank, are given in Note 10.8 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to acting president / chief executive, directors and executives and disposal of vehicles to employees are disclosed in Note 35 and Note 11.2.1 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Subsidiary company		Key management personnel	
	2011	2010	2011	2010
..... Rupees in '000' .....				
<b>Advances</b>				
Balance at the beginning of the year	-	15,000	18,075	13,493
Loan granted during the year	-	-	804	7,995
Repayment during the year	-	(15,000)	(2,945)	(3,413)
Balance at the end of the year	-	-	15,934	18,075
<b>Deposits</b>				
Deposits at the beginning of the year	32,044	32,247	10,625	9,229
Deposits received during the year	135,720	66,327	65,241	55,328
Deposits repaid during the year	(90,569)	(66,530)	(68,082)	(53,932)
Deposits at the end of the year	77,195	32,044	7,784	10,625
Investments at the end of the year	100,000	100,000	-	-
Payable at the end of the year	9,836	11,507	-	-
..... Rupees in '000' .....				
<b>Subsidiary company</b>				
<b>Key management personnel</b>				
..... Rupees in '000' .....				
Mark-up / interest earned	-	1,287	654	629
Mark-up / interest expensed	4,991	2,711	-	-
Compensation	-	-	72,592	52,143
Post retirement benefit	-	-	4,060	3,783
Contribution to defined benefit plans	-	-	327	304
Services rendered by subsidiary company	423,044	424,009	-	-
Rent, accounting and communication charges	24,133	29,340	-	-

## 39 CAPITAL ASSESSMENT AND ADEQUACY

**39.1** The Basel II Framework is applicable to the Bank at the level of standalone financial statements of the Bank. Credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach.

### 39.2 Capital Management

#### Objectives and goals of managing capital

The objectives and goals of managing capital of the Bank are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

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

The State Bank of Pakistan through its BSD Circular No.07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ending on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2011 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2011 is 25.72% of its risk weighted exposure.

Bank's regulatory capital is analyzed in to two tiers:

- Tier 1 capital, which includes fully paid-up capital and unappropriated profits and after 50% deduction for investment in equity of subsidiary company and deduction for book value of intangibles.
- Tier 2 capital, which includes general provision for loan losses (up to a maximum of 1.25 % of risk weighted assets), subordinated debt limited to maximum of 50% of the amount of Tier-1 capital, revaluation reserve up to a maximum of 45 % and 50% deduction for investment in the equity of subsidiary company.

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 Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated 25 November 2008 and BSD Circular No. 07 of 2009 dated 15 April 2009. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan 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.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach / view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank has complied with all externally imposed capital requirements throughout the year. Further, there has been no change in the Bank's management of capital during the year.

### 39.3 Capital adequacy ratio

The risk weighted assets to capital ratio, calculated in accordance with the SBP guidelines on capital adequacy was as follows:

	2011	2010
	Rupees in '000	
<b>Capital Structure</b>		
Tier 1 capital		
Shareholders capital	12,522,441	12,522,441
Reserves	2,313,441	1,884,411
Unappropriated profits	8,171,742	6,455,623
	23,007,624	20,862,475
Less:		
Book value of intangible	(17)	(8,770)
50% deduction for investment in subsidiary company	(50,000)	(50,000)
	(50,017)	(58,770)
<b>Total tier 1 capital</b>	22,957,607	20,803,705
<b>Tier 2 capital</b>		
Subordinated debt (upto 50% of total Tier 1 capital)	3,204,323	3,204,323
General provision subject to 1.25% of total risk weighted assets	1,364,333	1,096,008
Revaluation reserve (upto 45%)	591,229	378,976
	5,159,885	4,679,307
Less: 50% deduction for investment in subsidiary company	(50,000)	(50,000)
<b>Total tier 2 capital</b>	5,109,885	4,629,307
<b>Eligible tier 3 capital</b>	-	-
<b>Total regulatory capital base</b> (a)	28,067,492	25,433,012

	2011	2010	2011	2010
	Capital Requirements		Risk Weighted Assets	
	Rupees in '000			
<b>Credit risk</b>				
Banks	238,395	231,366	2,383,949	2,313,656
Corporate	-	2,042	-	20,418
Retail	5,254,195	5,483,566	52,541,953	54,835,659
Loans secured against residential property	71,029	73,062	710,290	730,615
Past due loans	2,198,250	1,795,611	21,982,496	17,956,107
Listed equity investments	154,920	102,310	1,549,202	1,023,098
Investments in fixed assets	116,715	112,296	1,167,150	1,122,963
Other assets	945,277	967,810	9,452,773	9,678,103
<b>Total credit risk</b>	8,978,781	8,768,063	89,787,813	87,680,619
<b>Market risk</b>				
Interest rate risk	-	-	-	-
Equity position risk	-	-	-	-
Foreign exchange risk	-	-	-	-
<b>Total market risk</b>	-	-	-	-
<b>Operational risk</b>				
Capital requirement for operational risk	1,548,706	1,543,664	19,358,820	19,295,798
<b>Total</b> (b)	10,527,487	10,311,727	109,146,633	106,976,417

	2011	2010
<b>Capital adequacy ratio [ (a) / (b) x 100]</b>	25.72%	23.77%



## 40 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default.
- Market risk is the risk of loss arising from adverse movements in market variables such as interest rates, exchange rates and equity indices.
- Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when due.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and
- Equity position risk is the risk that arises due to changes in prices of individual stocks or levels of equity indices.

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market, liquidity, operational and equity position risks. The Bank's risk management department is independent of the business and operations and directly reports to the President. The Bank's systematic and integrated risk management function for each category of risk is as follows:

### 40.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio will be more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report will also be generated. This will enable the management to take proactive measurements for having a quality credit portfolio/products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors.

#### 40.1.1 Credit Risk - General disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

#### 40.1.2 Credit Risk: Disclosures for portfolio subject to the standardized approach

Under the standardized approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. However, there are no exposures for which ratings from ECAIs are used by the Bank.

**Credit exposures subject to standardized approach**

Exposures	Rating	2011			2010		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000 .....							
Cash and cash equivalents	-	1,188,669	1,188,669	-	769,836	769,836	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	12,015,250	12,015,250	-	7,981,553	7,981,553	-
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	11,919,744	9,535,795	2,383,949	11,568,282	9,254,626	2,313,656
Claims on corporate (excluding equity exposures)	1	-	-	-	102,090	81,672	20,418
Claims categorized as retail portfolio	-	70,055,937	17,513,984	52,541,953	73,114,212	18,278,553	54,835,659
Claims fully secured by residential property	-	2,029,400	1,319,110	710,290	2,087,472	1,356,857	730,615
Past due loans		15,658,369	(6,324,127)	21,982,496	12,590,910	(5,365,197)	17,956,107
Listed equity investments	-	1,549,202	-	1,549,202	1,023,098	-	1,023,098
Investments in premises, plant and equipment and all other fixed assets	-	1,167,150	-	1,167,150	1,122,963	-	1,122,963
All other assets	-	9,452,773	-	9,452,773	9,678,103	-	9,678,103
		125,036,494	35,248,681	89,787,813	120,038,519	32,357,900	87,680,619

**40.1.3 Credit Risk: Disclosures with respect to credit risk mitigation for standardized approach**

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

**40.1.4 Credit Risk: Disclosures for portfolio subject to the standardized approach**

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due). Advances are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

**Concentration of risk**

Out of the total financial assets of Rupees 115,664 million (2010: Rupees 115,665 million) the financial assets which are subject to credit risk amounting to Rupees 114,576 million (2010: Rupees 114,895 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 9,701 million (2010: Rupees 5,998 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rupees 1,868 million (2010: Rupees 1,972 million) are held by the Bank with the State Bank of Pakistan.

#### 40.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2011 the composition of equity investments and subsidiary is as follows:

Exposures	Available for Subsidiary Sale	
	Rupees in '000	
Equity investments - publicly traded	1,549,202	-
Equity investments - others	-	100,000
Total value	<u>1,549,202</u>	<u>100,000</u>

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

Investments - Available for sale  
Investment in subsidiary

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiary are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is 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.

The cumulative unrealized gain of Rupees 1,459.901 million (2010: Rupees 935.742 million) is recognized in the statement of financial position in respect of "available for sale" securities.

#### 40.1.6 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

#### 40.1.7 Segments by class of business

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	89,439,508	97.18%	-	-	8,682,362	50.36%
Individuals	-	-	8,837,296	98.60%	144,994	0.84%
Others	2,592,569	2.82%	125,161	1.40%	8,413,397	48.80%
	<u>92,032,077</u>	<u>100%</u>	<u>8,962,457</u>	<u>100%</u>	<u>17,240,753</u>	<u>100%</u>

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	89,827,362	97.15%	-	-	-	0.00%
Individuals	-	-	9,464,035	99.09%	9,860,689	52.66%
Others	2,639,557	2.85%	86,692	0.91%	8,864,928	47.34%
	92,466,919	100%	9,550,727	100%	18,725,617	100%

#### 40.1.8 Segments by sector

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	1,042	0.01%	8,413,397	48.80%
Private	92,032,077	100.00%	8,837,296	99.99%	8,827,356	51.20%
	92,032,077	100.00%	8,838,338	100.00%	17,240,753	100.00%

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	1,708	0.02%	8,864,928	47.34%
Private	92,466,919	100.00%	9,549,019	99.98%	9,860,689	52.66%
	92,466,919	100.00%	9,550,727	100.00%	18,725,617	100.00%

\* This amount represents deposits belonging to autonomous / semi-autonomous bodies.

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

	2011		2010	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000 .....			
Agriculture, forestry, hunting and fishing	19,924,581	7,266,212	17,244,928	4,654,018
Advances to employees	22,159	22,159	20,307	20,307
	19,946,740	7,288,371	17,265,235	4,674,325

#### 40.1.10 "Details of non-performing advances and specific provisions by sector"

	2011		2010	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000 .....			
Private	19,924,581	7,266,212	17,244,928	4,654,018
Advances to employees	22,159	22,159	20,307	20,307
	19,946,740	7,288,371	17,265,235	4,674,325

**40.1.11 Geographical segment analysis**

	<b>2011</b>			
	<b>Profit before taxation</b>	<b>Total assets employed</b>	<b>Net assets employed</b>	<b>Contingencies and commitments</b>
	..... Rupees in '000 .....			
Pakistan	3,277,159	122,467,960	24,321,467	17,240,753
	<b>2010</b>			
	<b>Profit before taxation</b>	<b>Total assets employed</b>	<b>Net assets employed</b>	<b>Contingencies and commitments</b>
	..... Rupees in '000 .....			
Pakistan	2,877,842	117,585,949	21,704,643	18,725,617

**40.2 Market risk management**

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments / placements are being placed in held to maturity securities / investments. Correspondingly, the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

**40.2.1 Foreign exchange risk management**

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

**40.2.2 Equity price risk**

The Bank's proprietary positions in the equity instruments expose it to the equity price risk in banking book. Equity price risk is managed by applying limits. The stress test for equity price risk assesses the impact of fall in stock market index. This exercise is done based on the criteria advised by SBP for Stress Testing on Equities.

### 40.3 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions.

2011

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk						Not exposed to Yield / Interest risk			
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years		Over 3 to 5 years	Over 5 to 10 years	Above 10 years
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	3,056,462	-	-	-	-	-	-	-	-	-	3,056,462
Balances with other banks	8.79	11,176,444	7,051,194	4,091,146	-	-	-	-	-	-	-	34,104
Investments - net	12.36	11,947,958	3,442,271	4,458,833	-	2,497,652	-	-	-	-	-	1,549,202
Advances - net	9.00	84,743,706	28,803,624	1,107,291	3,347,168	19,024,822	14,516,193	6,507,397	7,861,972	3,286,898	89,621	198,720
Other assets - net	-	4,739,027	-	-	-	-	-	-	-	-	-	4,739,027
		115,663,597	39,297,089	9,657,270	3,347,168	21,522,474	14,516,193	6,507,397	7,861,972	3,286,898	89,621	9,577,515
<b>Liabilities</b>												
Bills payable	-	208,117	-	-	-	-	-	-	-	-	-	208,117
Borrowings	6.09	51,257,213	22,211,458	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-
Deposits and other accounts	5.00	8,962,457	2,258,062	59,962	59,962	168,326	-	53,455	1,581	-	-	6,421,071
Sub-ordinated loans	rate	3,204,323	-	-	-	-	-	-	-	3,204,323	-	-
Other liabilities	-	27,553,345	-	-	-	-	-	-	-	-	-	27,553,345
		91,185,455	24,469,520	-	1,768,536	168,326	3,417,148	3,470,603	6,835,876	16,872,913	-	34,162,533
<b>On-balance sheet gap</b>		24,478,142	14,827,569	9,657,270	1,578,632	21,354,148	11,099,045	3,036,794	1,026,096	(13,586,015)	89,621	(24,605,018)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		24,478,142	14,827,569	9,657,270	1,578,632	21,354,148	11,099,045	3,036,794	1,026,096	(13,586,015)	89,621	(24,605,018)
<b>Cumulative yield / interest risk sensitivity gap</b>		24,478,142	14,827,569	24,484,839	26,063,471	47,417,619	58,516,664	61,553,458	62,579,554	48,993,539	49,083,160	24,478,142
<b>Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:</b>												
		Rupees in '000							Rupees in '000			
Total financial assets		115,663,597							91,185,455			
Add non-financial assets:												
Investment in subsidiary company		100,000										
Operating fixed assets		1,167,167							6,961,038			
Deferred tax - net		331,449										
Other assets		5,305,747										
Total assets as per statement of financial position		122,467,960							99,146,493			
Total financial liabilities												
Add non-financial liabilities:												
Investment in subsidiary company												
Operating fixed assets												
Deferred tax - net												
Other liabilities												
Total liability as per statement of financial position									99,146,493			

## 40.3.1 Mismatch of interest rate sensitive assets and liabilities

Effective Yield / Interest rate	Total	2010 Exposed to Yield / Interest risk							Not exposed to Yield / Interest risk		
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
		Rupees in '000									
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	-	2,745,611
Balances with other banks	8.23	5,934,271	4,566,189	-	400,000	-	-	-	-	-	16,279
Investments - net	12.78	7,704,207	169,854	4,334,185	1,564,744	-	-	-	-	-	1,125,187
Advances - net	8	84,792,594	12,569,090	17,179,995	17,702,035	7,317,803	6,703,349	8,631,515	6,402,752	1,004,461	586,000
Other assets - net	-	9,405,548	-	-	-	-	-	-	-	-	9,405,548
		115,664,699	18,663,215	21,514,180	19,666,779	7,317,803	6,703,349	8,631,515	6,402,752	1,004,461	13,878,625
<b>Liabilities</b>											
Bills payable	-	306,040	-	-	-	-	-	-	-	-	306,040
Borrowings	6.09	51,257,213	12,707,695	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818	-
Deposits and other accounts	4.61	9,602,772	627,193	285,570	3,377,981	-	-	1,642	-	-	5,310,386
Sub-ordinated loans	rate	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	-	30,940,379	-	-	-	-	-	-	-	-	30,940,379
		95,310,727	13,334,888	2,100,955	5,193,366	3,630,770	3,630,770	7,263,182	18,153,850	5,446,141	36,566,805
<b>On-balance sheet gap</b>		20,353,972	5,328,327	11,882,020	14,473,413	3,687,033	3,072,579	1,368,333	(11,751,098)	(4,441,680)	(22,678,180)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		20,353,972	5,328,327	11,882,020	14,473,413	3,687,033	3,072,579	1,368,333	(11,751,098)	(4,441,680)	(22,678,180)
<b>Cumulative yield / interest risk sensitivity gap</b>		20,353,972	5,328,327	17,210,347	36,623,572	51,096,985	54,784,018	59,224,930	47,473,832	43,032,152	20,353,972

## Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000	Rupees in '000
Total financial assets	115,664,699	95,310,727
Add non-financial assets :		
Investment in subsidiary company	100,000	570,579
Operating fixed assets	1,131,733	95,881,306
Deferred tax - net	438,660	-
Other assets	350,857	-
Total assets as per statement of financial position	117,585,949	
Total financial liabilities		
Add non-financial liabilities:		
Other Liabilities		570,579
Total liability as per statement of financial position		95,881,306

## 40.4 Liquidity risk

Assets and Liabilities Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly, the yields on fund's placement have been constantly increasing.

## 40.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2011									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000 .....										
<b>Assets</b>										
Cash and balances with treasury banks	3,056,462	-	-	-	-	-	-	-	-	-
Balances with other banks	11,176,444	7,085,297	4,091,147	-	-	-	-	-	-	-
Investments - net	12,047,958	3,442,271	4,458,833	-	2,497,652	-	-	-	-	1,649,202
Advances - net	84,743,706	29,002,344	1,107,291	3,347,168	19,024,822	14,516,193	6,507,397	7,861,972	3,286,898	89,621
Other assets - net	9,944,774	1,812,090	2,525,068	1,949,962	2,727,764	319,345	213,994	292,248	49,380	54,923
Deferred tax assets - net	331,449	-	-	-	-	-	-	331,449	-	-
Operating fixed assets	1,167,167	13,883	42,242	42,208	84,417	102,464	97,069	180,012	112,434	492,438
	122,467,960	44,412,347	12,224,581	5,339,338	24,334,655	14,938,002	6,818,460	8,665,681	3,448,712	2,286,184
<b>Liabilities</b>										
Bills payable	208,117	208,117	-	-	-	-	-	-	-	-
Borrowings	51,257,213	22,211,458	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-
Deposits and other accounts	8,962,457	8,679,133	-	59,962	168,326	-	53,455	1,581	-	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	34,514,383	2,881,734	1,174,182	26,697,291	1,441,856	1,280,813	208,829	471,023	231,378	127,277
	98,146,493	33,980,442	1,174,182	28,465,827	1,610,182	4,697,961	3,679,432	7,306,899	17,104,291	127,277
<b>Net assets</b>	24,321,467	10,431,905	11,050,399	(23,126,489)	22,724,473	10,240,041	3,139,028	1,358,782	(13,655,579)	2,158,907
Share capital	12,522,441									
Reserves	2,313,441									
Unappropriated profit	8,171,742									
Surplus on revaluation of assets - net of tax	1,313,843									
	<u>24,321,467</u>									



## 40.4.2 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2010									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000 .....										
<b>Assets</b>										
Cash and balances with treasury banks	2,745,611	2,745,611	-	-	-	-	-	-	-	-
Balances with other banks	10,916,739	5,950,550	4,566,189	-	400,000	-	-	-	-	-
Investments - net	7,804,207	169,854	610,237	4,334,185	1,564,744	-	-	-	-	1,125,187
Advances - net	84,792,594	12,560,691	6,709,444	17,193,325	17,747,556	7,382,417	6,715,785	8,644,688	6,565,760	1,272,928
Other assets - net	9,756,405	608,993	953,901	1,189,420	2,084,561	224,293	232,666	300,022	1,876,339	2,286,210
Deferred tax assets - net	438,660	-	-	-	-	-	-	438,660	-	-
Operating fixed assets	1,131,733	-	-	-	-	-	-	-	-	1,131,733
	117,585,949	22,035,699	12,839,771	22,716,930	21,796,861	7,606,710	6,948,451	9,383,370	8,442,099	5,816,058
<b>Liabilities</b>										
Bills payable	306,040	306,040	-	-	-	-	-	-	-	-
Borrowings	51,257,213	12,707,695	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818
Deposits and other accounts	9,602,772	5,937,579	-	285,570	3,377,981	-	-	1,642	-	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	31,510,958	1,060,125	84,766	23,012,061	862,539	936,297	203,249	524,271	2,176,154	2,651,496
	95,881,306	20,011,439	84,766	25,113,016	6,055,905	4,567,067	3,834,019	7,787,453	20,330,004	8,097,637
<b>Net assets</b>	21,704,643	2,024,260	12,755,005	(2,396,086)	15,740,956	3,039,643	3,114,432	1,595,917	(11,887,905)	(2,281,579)
Share capital	12,522,441									
Reserves	1,884,411									
Unappropriated profit	6,455,623									
Surplus on revaluation of assets - net of deferred tax	842,168									
	<u>21,704,643</u>									

**40.5 Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.

With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

**41 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 8 May 2012 by the Board of Directors of the Bank.

**42 GENERAL**

**42.1** Comparative information has been re-classified or re-arranged in these financial statements for the purposes of better presentation. Major reclassifications made are as follows:

- Credits relating to employee benefits amounting to Rupees 982.218 million were previously presented as other income. Now, these have been netted off against administrative expenses.
- Interest accrued on held to maturity investments amounting to Rupees 43.560 million was previously presented under other assets. Now, it has been grouped in held to maturity investments.

**42.2** The figures in the financial statements are rounded off to the nearest thousand rupees.

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 ACTING PRESIDENT / CHIEF EXECUTIVE

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 DIRECTOR

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 DIRECTOR

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 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Total	Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					6	7	8	9					
1	MOHAMMAD FAZIL VILLAGE PHERWAL DOLLAL P.O.HAMID JHNGI, GUJER KHAN MST.ZANIB BIBI VILLAGE PHERWAL DOLAL, GUJER KHAN	MOHAMMAD FAZIL	21049232241	MOHABAT ALI	0.300	0.952	-	1.252	0.300	0.302	-	0.602	
2	ALI COTTON GINNING & PROCESSING FACTORY MOUZA DHAMAKI, TEHSIL MAILSI, VEHARI	MST.ZANIB BIBI	21718261599	MOHABAT ALI	2.700	7.255	-	9.955	-	4.439	-	4.439	
3	ABDUL RAUF VILLAGE DOGAR KALASRA, SAN- AWAN	ALI SHAH SHAH HUSSAIN ABDUL RAUF	3251216291600 3252216291400 31763368104	HOSHIAR ALI ALI SHAH MALIK HAMID YAR	-	1.142	-	1.142	-	0.696	-	0.696	
4	SYED ISRAR AHMED F S-12/96 JINNAH SQUARE MALIR, GADAP	SYED ISRAR AHMED	51985082614	SYED IQBAL AHMED	0.300	0.290	-	0.590	-	0.590	-	0.590	
5	SABRAR AHMED FS-12/92 JINNAH SQUARE MALIR, GADAP	S ABRAR AHMED	4250115586995	S IQBAL AHMED	0.296	0.278	-	0.575	-	0.575	-	0.575	
6	NOOR AHMAD	NOOR AHMAD	4110503105265	KHALIFO MOHAMMAD	0.130	1.644	-	1.774	-	1.514	-	1.514	

..... Rupees in million .....

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**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12	
					Principal	Interest	Others					Total
..... Rupees in million .....												
7	VILLAGE DURMANO, TALHAR RAB NAWAZ	RAB NAWAZ	4130336987113	SAEED AHMED	0.123	0.787	-	0.910	-	0.799	-	0.799
8	VILLAGE DUZ, TANDO BHAGO AHSANULLAH	AHSANULLAH	4125823659843	DILAWAR	0.147	1.530	-	1.677	-	1.383	-	1.383
9	VILLAGE POTHO, TANDO BHAGO HAJI LAL BUX	HAJI LAL BUX	4110333532515	HAJI JAN MOHAMMAD	0.141	1.228	-	1.369	0.141	1.036	-	1.177
10	VILLAGE KANHERI, TANDO GHU-LAMALI ABDUL KARIM	ABDUL KARIM	4349179129165	YAR MUHAMMAD	0.099	0.923	-	1.022	-	0.823	-	0.823
	HAKIM ALI	HAKIM ALI	43417129165	BULLO								
11	VILLAGE KAROOCHO, MORO ABDUL LATIF	ABDUL LATIF	43421105329	WALADINO	0.086	0.883	-	0.969	-	0.793	-	0.793
	DEH RAJA WAH, DAULAT PUR SAWOR	SAWOR	40452071758	JAMAUAHAN	0.087	0.883	-	0.971	-	0.790	-	0.790
12	FATEH KHAN SABHAYO PO BA-HOO KH, THUL											
13	MUHAMMAD AKRAM LIAQUAT ALI	MUHAMMAD AKRAM LIAQUAT ALI	4410164730449 4130456685457	RAHIM BUX RAHIM BUX	0.075	0.532	-	0.607	-	0.605	-	0.605
	MOHAMMAD TARIQ DEH 154,155,159, DIGRI	MOHAMMAD TARIQ	47752026221	RAHIM BUX								
14	SAYED QASIM JAN GARHI BADSHAH GUL P.O REGI, PESHAWAR	SAYED QASIM JAN	13726036328	SAYED MOHAMMAD SHAH	0.198	0.333	-	0.531	0.198	0.333	-	0.531
15	GULMAST KHAN VILLAGE KHAT KALLAY CHAG-HARMATTI, PESHAWAR	GULMAST KHAN	13748031141	AYUB KHAN	0.324	0.276	-	0.600	0.324	0.276	-	0.600

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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father/s/ husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12)	
					Principal	Interest	Others					
..... Rupees in million .....												
16	MUHAMMAD JABEEN KHAN VILLAGE CHAGHARMATTI PESHAWAR	MUHAMMAD JABEEN KHAN	1730184791673	MUHAMMAD AYUB KHAN	0.450	0.276	-	0.726	0.450	0.276	-	0.726
17	SARANJAAM KHAN	SARANJAAM KHAN	1730152819573	MUHAMMAD NAWAZ KHAN	0.450	0.168	-	0.618	0.450	0.168	-	0.618
18	FAIZ TALIB VILLAGE CHUGHAR MATTI PESHAWAR	FAIZ TALIB	1730108647297	MUHAMMAD NAWAZ	0.450	0.167	-	0.617	0.450	0.167	-	0.617
19	AFTAB KHAN VILLAGE NISATTA BALA P/O CHARPARIZA, PESHAWAR	AFTAB KHAN	1730101620456	UBIDULLAH KHAN	0.400	0.135	-	0.535	0.400	0.135	-	0.535
20	ASADULLAH KHAN VILLAGE NISATA BALA P/O CHARPARIZA, PESHAWAR	ASADULLAH KHAN	1730166735273	UBAIDULLAH KHAN	0.450	0.160	-	0.610	0.450	0.160	-	0.610
21	SAADAT KHAN VILLAGE LAKARI KANIZA PESHAWAR	SAADAT KHAN	1730144816549	SUHBAT KHAN	0.400	0.161	-	0.561	0.400	0.161	-	0.561
22	MUHAMMAD ISRAR KHAN VILLAGE ZOORMANDI P/O NAHAQI, PESHAWAR	MUHAMMAD ISRAR KHAN	1730159199587	GHULAM RASOOL KHAN	0.499	0.072	-	0.571	0.499	0.072	-	0.571
23	GHULAM SARWAR ZORMANDI NAHAQI PESHAWAR	GHULAM SARWAR	1730113762895	GHULAM RASOOL	0.498	0.174	-	0.672	0.498	0.174	-	0.672
24	SABAZ ALI QURBAN ALI	SABAZ ALI QURBAN ALI	1730174613521 1730137738929	M.AMIN KHAN M.AMIN KHAN	0.453	0.173	-	0.626	0.453	0.173	-	0.626

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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12	
					Principal	Interest	Others					
											..... Rupees in million .....	
25	GULABAD P/O CHARPAREZA, PESHAWAR	ZAHOOR AHMAD UZAIR AHMAD	1730151614907 1730120980099	SHER MOHAMMAD SHER MOHAMMAD	0.445	0.166	-	0.611	0.445	0.166	-	0.611
26	VILLAGE CHAGHARMAHI PESHAWAR	RAHMAT ALI KHAN	11464280457	JEHANGIR KHAN	0.084	0.703	-	0.788	-	0.661	-	0.661
27	BARA BANDAIO P. TEH. KB ABAL SWAT	ABDUL MANAF	10923099460	ABDUL LATIF	0.100	1.138	-	1.238	-	1.019	-	1.019
28	VILLAGE KOTIGRAM, CHAKDARA	HAJI MOHAMMAD ZAMAN	21234215967	H.NOOR ZAMAN	0.240	0.269	-	0.508	0.240	0.269	-	0.508
29	MEHRIN DERBAND H.NO.N.E./153, OGI	YASEEN WASEEM KHAN FAZAL HAQUE	12694059667 12653027023 12657018065	KALIA KHANZAMAN ABDULWADOOD	0.313	0.219	-	0.532	0.313	0.192	-	0.505
30	VILLAGE SEORAJKA DASU	AWRANGZEB	12351008214	MOHAMMAD HAYAT KHAN	0.157	0.402	-	0.559	0.157	0.402	-	0.559
31	VILLAGE KARI, MANSEHRA	TASLIM KHAN	12358572625	WALI MOHAMMAD	0.169	0.447	-	0.616	0.169	0.447	-	0.616
32	VILLAGE KARI, MANSEHRA	JEHANZEB KHAN	12344162599	MUHAMMAD YOUSAF KHAN	0.200	0.435	-	0.635	0.200	0.435	-	0.635
	SAFFIA JAN	SAFFIA JAN	12349162600	ABDUL LATIF								



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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12	
					Principal	Interest	Others					Total
..... Rupees in million .....												
41	HAJI HAKIM KHAN VILLAGE DHANGRI, MANSEHRA	HAJI HAKIM KHAN	12132367076	ABDUL GHANI KHAN	0.940	0.695	-	1.635	0.940	0.695	-	1.635
42	M. HUMAYOON KHAN VILLAGE BABRAL, MANSEHRA	M. HUMAYOON KHAN	12329182961	AHMED KHAN	0.579	0.505	-	1.084	0.579	0.505	-	1.084
43	ASHAIQ HUSSAIN VILLAGE BABRAL PO-TATARA, MANSEHRA	ASHAIQ HUSSAIN	12391492265	AURANGZEB KHAN	0.463	0.578	-	1.041	0.463	0.578	-	1.041
44	WAQAR AHMED KHAN VILLAGE KHUWAJGAN, MANSEHRA	WAQAR AHMED KHAN	1230630566343	MISKIN KHAN	0.279	0.239	-	0.519	0.279	0.239	-	0.519
45	SHIREEN JAN VILLAGE KHUWAJGAN, MANSEHRA	SHIREEN JAN	12358531446	MISKEEN KHAN	0.405	0.280	-	0.685	0.405	0.280	-	0.685
46	NOOR MOHAMMAD VILLAGE KHAWAJGAN, MANSEHRA	NOOR MOHAMMAD	12388141721	KHUSHAL KHAN	0.552	0.235	-	0.787	0.552	0.235	-	0.787
47	NISAR AHMED VILLAGE BABRAL, MANSEHRA	NISAR AHMED	12362477882	M. HUMAYOON KHAN	0.700	0.741	-	1.441	0.700	0.741	-	1.441
48	M. ALI VILLAGE HALKOT, MANSEHRA	M. ALI	21085351042	JUMMA KHAN	0.331	0.284	-	0.615	0.331	0.284	-	0.615
49	MALIK ZAFAR VILLAGE GHAZIKOT, MANSEHRA	MALIK ZAFAR	12392043734	MALIK AKRAM	0.446	0.203	-	0.649	0.446	0.203	-	0.649
50	MUHAMMAD ASSAD KHAN VILLAGE BATTAL MSA, MANSEHRA	MUHAMMAD ASSAD KHAN	12389059961	MUHAMMAD AKRAM KHAN	0.350	0.472	-	0.822	0.350	0.472	-	0.822
51	BADRI ZAMAN VILLAGE DARA SHAH, MANSEHRA	BADRI ZAMAN	12350097248	SUMANDER KHAN	0.390	0.225	-	0.615	0.390	0.225	-	0.615
52	KHURSHID ALAM KHAN VILLAGE BAIDRA, MANSHRA	KHURSHID ALAM KHAN	12350023891	MUHAMMAD AKBER KHAN	0.700	0.655	-	1.356	0.700	0.655	-	1.356



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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12	
					Principal	Interest	Others					Total
..... Rupees in million .....												
53	MUHAMMAD WAHEED VILLAGE GHAZI KOT, MANSEHRA	MUHAMMAD WAHEED	12362043737	MUHAMMAD AKRAM KHAN	0.700	0.909	-	1.609	0.700	0.909	-	1.609
54	SHER AFZAL KHAN	SHER AFZAL KHAN	12388688474	MUHAMMAD AKRAM KHAN	0.475	0.267	-	0.742	0.475	0.267	-	0.742
55	VILLAGE BABRAL, MANSEHRA ALI MUHAMMAD KHAN	ALI MUHAMMAD KHAN	12354109846	MUHAMMAD SHARIF	0.412	0.295	-	0.707	0.412	0.295	-	0.707
56	ABDUL RAZZAQ VILLAGE GAZIKOT MANSEHRA	ABDUL RAZZAQ	12360333574	NOOR AHMAD	0.700	0.735	-	1.435	0.700	0.735	-	1.435
57	MST. ISHRAT IQABAL VILLAGE MOH-NOGAZI, MANSEH-RA	MST. ISHRAT IQABAL	12390328766	ALAM ZEB	0.690	0.642	-	1.332	0.690	0.642	-	1.332
58	SHAHID SHAHEEN VILLAGE MOH-NOGAZI, MANSEH-RA	SHAHID SHAHEEN	12176591651	AQIL AHMED	0.700	0.783	-	1.483	0.700	0.783	-	1.483
59	FEHMIDA BEGUM KATCHERY ROAD, MANSEHRA	FEHMIDA BEGUM	12156021107	FIDA MUHAMMAD KHAN	0.683	0.431	-	1.114	0.683	0.431	-	1.114
60	SOFI MEHMOOD KHAN VILLAGE BATTAL, MANSEHRA	SOFI MEHMOOD KHAN	12324059651	SADAT KHAN	0.318	0.306	-	0.624	0.318	0.306	-	0.624
61	MUHAMMAD SAFDAR KHAN VILLAGE BATTAL, MANSEHRA	MUHAMMAD SAFDAR KHAN	12385059960	AKRAM KHAN	0.354	0.303	-	0.657	0.354	0.303	-	0.657
62	SHAFAT ALI KHAN VILLAGE BATTAL, MANSEHRA	SHAFAT ALI KHAN	12375106128	MUZAFFAR KHAN	0.442	0.290	-	0.732	0.442	0.290	-	0.732

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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12)	
					Principal	Interest	Others					Total
..... Rupees in million .....												
63	BADSHA GUL VILLAGE HILKOT BATTAL, MANSEHRA	BADSHA GUL	12393098807	MASOOD KHAN	0.450	0.364	-	0.814	0.450	0.364	-	0.814
64	ALLAM ZAIB KHAN VILLAGE BATTAL, MANSEHRA	ALLAM ZAIB KHAN	12385201230	GHULAM HAIDER KHAN	0.406	0.228	-	0.634	0.406	0.228	-	0.634
65	NIAMAT ALI KHAN VILLAGE HILKOTE, MANSEHRA	NIAMAT ALI KHAN	12357098869	M MASOOD KHAN	0.300	0.236	-	0.536	0.300	0.236	-	0.536
66	ALAMGIR KHAN VILLAGE BATTAL, MANSEHRA	ALAMGIR KHAN	12338109308	ABDUL RAUUF KHAN	0.450	0.363	-	0.813	0.450	0.342	-	0.792
67	RAZAULLAH KHAN VILLAGE BATTAL, MANSEHRA	RAZAULLAH KHAN	12393000545	ATTAULLAH KHAN	0.490	0.275	-	0.765	0.490	0.275	-	0.765
70	MST. SIDRA VILLAGE GHAZI KOT, MANSEHRA	MST. SIDRA	12392627114	MUHAMMAD JAN	0.498	0.417	-	0.915	0.498	0.358	-	0.856
71	QAZI MUHAMMAD IMDAD VILLAGE QAZIABAD BATTAL, MANSEHRA	QAZI MUHAMMAD IMDAD	12356427343	QAZI ABDUL KAFIL	0.380	0.227	-	0.607	0.380	0.209	-	0.589
72	MISSIL KHAN VILLAGE SHARKOOL CHATTAR PLAIN, MANSEHRA	MISSIL KHAN	1350305392553	GHULAM QADIR	0.415	0.178	-	0.593	0.415	0.159	-	0.574
73	ZAHID HUSSAIN SHAH VILLAGE SINGLE KOT, MANSEHRA	ZAHID HUSSAIN SHAH	1350310218535	ABDULABDUL QADAR SHAH	0.500	0.164	-	0.664	0.500	0.059	-	0.559
74	SYED HABIB SHAH VILLAGE LANDI KASS PO-KUZA- BANDA BATTAGRAM	SYED HABIB SHAH	12439021324	SYED FAROOQ SHAH	0.482	0.496	-	0.978	0.482	0.496	-	0.978

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10*11+12)
					Principal	Interest	Others				
..... Rupees in million .....											
77	RAHIM DAD KHAN VILLAGE & P O BATTAGRAM	RAHIM DAD KHAN	12462198929	BEHRAM KHAN	0.295	0.324	-	0.619	0.324	-	0.619
78	MUZAMIL KHAN SHINGLI BALA PO-PESHOWRA, BATTAGRAM	MUZAMIL KHAN	12457123838	JEHANGIR KHAN	0.392	0.221	-	0.613	0.392	-	0.613
79	MIR SAMAD KHAN VILLAGE RASHANG, BATTAGRAM	MIR SAMAD KHAN	12456005203	DOSHAM KHAN	0.370	0.199	-	0.569	0.370	-	0.567
80	MUHAMMAD ISMAEEL VILLAGE BANSAIR, BATTAGRAM	MUHAMMAD ISMAEEL	1320223619471	HAJI ABDUL LATIF	0.400	0.174	-	0.574	0.400	-	0.555
81	SYED ABBAS SHAH VILLAGE KAWAI TEH-BALAKOT	SYED ABBAS SHAH	12338352472	S. GHULAMAHMAD SHAH	0.400	0.410	-	0.809	0.400	-	0.809
82	SYED ZULFIQAR ALI ABBAS SYED IFTIKHAR ALI SHAH JUNAID ALI QASIM VILLAGE KAWAI TEH. BALAKOT	SYED ZULFIQAR ALI ABBAS SYED IFTIKHAR ALI SHAH JUNAID ALI QASIM	12389549526 12390549527 12389639701	SYED ABBASS SHAH SYED ABBASS SHAH SYED QASIM SHAH	2.580	2.068	-	4.648	2.580	-	4.648
83	MUHAMMAD FARIDOON KHAN VILLAGE BHOONJA, BALAKOT	MUHAMMAD FARIDOON KHAN	12342045121	MUHAMMAD YAQOOB KHAN	0.443	0.217	-	0.660	0.443	-	0.660
84	AQEEM UN NISA VILLAGE KAGHAN, BALAKOT	AQEEM UN NISA	12388484819	HAYAT SHAH	0.455	0.394	-	0.849	0.455	-	0.849
85	MAZAR ALI QASIM VILLAGE KAWAI, BALAKOT	MAZAR ALI QASIM	12376757736	QASIM SHAH	0.300	0.242	-	0.542	0.300	-	0.542

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11+12)	
					Principal	Interest	Others					
											Rupees in million .....	
86	SYED AKHTAR HUSSAIN SHAH VILLAGE BELA SACHA PARAS, BALAKOT	SYED AKHTAR HUSSAIN SHAH	12391127756	SYED MUZAMMAL SHAH	0.434	0.321	-	0.755	0.434	0.321	-	0.755
87	ARSHAD HUSSAH SHAH	ARSHAD HUSSAH SHAH	12371127758	MUZAMMAL SHAH	0.400	0.288	-	0.688	0.400	0.288	-	0.688
					<b>35.705</b>	<b>45.631</b>	<b>-</b>	<b>81.336</b>	<b>31.477</b>	<b>41.217</b>	<b>-</b>	<b>72.694</b>



**CONSOLIDATED  
FINANCIAL STATEMENT**



**Riaz Ahmad & Company**  
**Chartered Accountants**  
**2-A, ATS Centre, 30-West**  
**Fazal-ul-Haq Road, Blue Area**  
**Islamabad**

**Ilyas Saeed & Co.**  
**Chartered Accountants**  
**Office # 26, 2nd Floor**  
**Rose Plaza, I-8 Markaz**  
**Islamabad**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Zarai Taraqati Bank Limited and its subsidiary company as at 31 December 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'consolidated financial statements') for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for one hundred and sixteen branches which have been audited by us. We have also expressed separate opinion on the financial statements of Zarai Taraqati Bank Limited. The financial statements of subsidiary company Kissan Support Services (Private) Limited were audited by M/s Ilyas Saeed & Co., Chartered Accountants, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Zarai Taraqati Bank Limited and its subsidiary company as at 31 December 2011 and the results of their operations, 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 matters

Prudential Regulation 'O-3' for Corporate / Commercial Banking requires clearance for all outstanding entries in inter-branches / offices current accounts within a period of 30 days from the date of recording of transactions. We have, however, noted balances in inter-branches / offices current accounts included in these consolidated financial statements on net basis amounting to Rupees 426.418 million credit balance (31 December 2010: Rupees 570.579 million credit balance) which include transactions beyond the period of 30 days.

We draw attention to notes 15 and 17 to the consolidated financial statements, which fully explain the status of State Bank of Pakistan (SBP) debt with respect to mark-up payable by the Bank. As per the submitted debt restructuring proposed by SBP, the additional mark-up amounting to Rupees 2.729 billion has not been accounted for by the Bank, due to reason stated in the aforesaid notes. Outcome of the decision on the matter may require appropriate adjustment in the provision of accrued mark-up of liability.

Our opinion is not qualified in respect of the above matters.

**Riaz Ahmad & Company**  
Chartered Accountants

**Ilyas Saeed & Co.**  
Chartered Accountants

Other matter

The consolidated financial statements of the Bank for the year ended 31 December 2010 were audited by M/s Anjum Asim Shahid Rahman, Chartered Accountants and M/s Ilyas Saeed & Co., Chartered Accountants whose report dated 22 December 2011 was modified by qualifying the issues of un-reconciled balance in branch adjustment account, non-calculation of provision against non-performing advances as per Prudential Regulations and non-adjustment of income tax liability and an emphasis of matter paragraph on status of mark-up payable on borrowings from SBP.

Riaz Ahmad & Company  
Chartered Accountants  
Name of engagement partner:  
Atif Bin Arshad  
Date: 08 May 2012  
Islamabad

Ilyas Saeed & Co.  
Chartered Accountants  
Name of engagement partner:  
Imran Ilyas  
Date: 08 May 2012  
Islamabad



**ZARAI TARAQIATI BANK LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

	Note	2011	2010
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	3,056,462	2,745,611
Balances with other banks	8	11,301,812	11,058,097
Lendings to financial institutions		-	-
Investments - net	9	11,947,958	7,741,698
Advances - net	10	84,743,706	84,792,594
Operating fixed assets	11	1,169,361	1,133,941
Deferred tax assets - net	12	350,918	451,702
Other assets - net	13	9,944,704	9,702,417
		122,514,921	117,626,060
<b>LIABILITIES</b>			
Bills payable	14	208,117	306,040
Borrowings	15	51,257,213	51,257,213
Deposits and other accounts	16	8,885,263	9,550,727
Sub-ordinated loan	17	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	18	34,537,103	31,527,799
		98,092,019	95,846,102
<b>NET ASSETS</b>		<b>24,422,902</b>	<b>21,779,958</b>
<b>REPRESENTED BY</b>			
Share capital	19	12,522,441	12,522,441
Reserves	20	2,312,072	1,883,042
Unappropriated profit		8,274,546	6,532,307
		23,109,059	20,937,790
Surplus on revaluation of assets - net of tax	21	1,313,843	842,168
		24,422,902	21,779,958
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes 1 to 42 and Annexure I form an integral part of these consolidated financial statements.

\_\_\_\_\_  
ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

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DIRECTOR

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DIRECTOR

## ZARAI TARAQIATI BANK LIMITED

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

	Note	2011	2010
Rupees in '000			
Mark-up / return / interest earned	23	9,526,813	8,917,344
Mark-up / return / interest expensed	24	3,789,747	3,713,765
Net mark-up / interest income		5,737,066	5,203,579
Provision against non-performing loans and advances - net		681,523	1,365,024
Provision for diminution in the value of investments - net		70	-
Write offs under Government relief packages		647	698
Bad debts written off directly		-	-
		682,240	1,365,722
Net mark-up / interest income after provisions		5,054,826	3,837,857
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		7,202	8,388
Dividend income		33,427	35,420
Income from dealing in foreign currencies		-	-
Gain on sale of securities		476	-
"Unrealized gain / (loss) on revaluation of investments classified as held for trading"		-	-
Other income	25	3,008,141	4,285,672
Total non mark-up / interest income		3,049,246	4,329,480
		8,104,072	8,167,337
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	26	4,459,401	5,255,508
Provision against other assets - net	13.7	321,385	(1,209)
Other charges	27	2,280	1,410
Total non mark-up / interest expenses		4,783,066	5,255,709
		3,321,006	2,911,628
<b>EXTRA ORDINARY / UNUSUAL ITEMS</b>			
		-	-
<b>PROFIT BEFORE TAXATION</b>			
		3,321,006	2,911,628
Taxation - Current		1,097,961	1,206,524
- Prior years		3,400	322
- Deferred		48,376	(191,597)
	28	1,149,737	1,015,249
<b>PROFIT AFTER TAXATION</b>			
		2,171,269	1,896,379
Unappropriated profit brought forward		6,532,307	5,007,416
<b>Profit available for appropriation</b>		<b>8,703,576</b>	<b>6,903,795</b>
<b>Basic earnings per share (Rupees)</b>	29	<b>1.734</b>	<b>1.514</b>
<b>Diluted earnings per share (Rupees)</b>	30	<b>1.734</b>	<b>1.514</b>

The annexed notes 1 to 42 and Annexure I form an integral part of these consolidated financial statements.

\_\_\_\_\_  
ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

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DIRECTOR

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DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011	2010
	Rupees in '000	
<b>PROFIT AFTER TAXATION FOR THE YEAR</b>	2,171,269	1,896,379
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME TRANSFERRED TO EQUITY</b>	2,171,269	1,896,379
<b>COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY</b>		
Net change in fair value of available for sale securities	524,084	436,206
Deferred income tax	(52,409)	(30,525)
	471,675	405,681
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	2,642,944	2,302,060

The annexed notes 1 to 42 and Annexure I form an integral part of these consolidated financial statements.

\_\_\_\_\_  
**ACTING PRESIDENT / CHIEF EXECUTIVE**

\_\_\_\_\_  
**DIRECTOR**

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**DIRECTOR**

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**DIRECTOR**

## ZARAI TARAQIATI BANK LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,321,006	2,911,628
Dividend income		(33,427)	(35,420)
		<u>3,287,579</u>	<u>2,876,208</u>
Adjustments for non cash charges:			
Depreciation	11.2	211,414	225,276
Amortization	11.3	8,753	25,275
Amortization of deferred income	18.3	(51,024)	(67,329)
Provision against non-performing loans and advances - net		681,523	1,365,024
Provision for diminution in the value of investments - net	9.2.1	70	-
Provision for employees post retirement medical benefits	34.5.6	15,272	261,186
Provision / (reversal) against other assets - net		321,385	(1,209)
Fixed assets - written off		-	719
Write offs under Government relief packages		647	698
Provision for employees' compensated absences	34.6.1	(454,479)	(395,897)
Gain on sale of securities		(476)	-
Gain on sale of operating fixed assets		(871)	(1,942)
		<u>732,214</u>	<u>1,411,801</u>
		<u>4,019,793</u>	<u>4,288,009</u>
(Increase) / decrease in operating assets:			
Advances - net		(633,282)	(4,184,295)
Others assets - net		137,555	(1,055,064)
		<u>(495,727)</u>	<u>(5,239,359)</u>
Increase / (decrease) in operating liabilities:			
Bills payable		(97,923)	(1,753,939)
Deposits and other accounts		(665,464)	832,082
Other liabilities (excluding current taxation)		2,886,269	4,346,776
		<u>2,122,882</u>	<u>3,424,919</u>
Employees' benefits paid		(701,227)	1,486,322
Income tax paid		(488,096)	(1,761,109)
Net cash generated from operating activities		<u>4,457,625</u>	<u>2,198,782</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		100,476	-
Net investment in held to maturity securities		(3,782,246)	(154,053)
Dividend income received		33,427	35,420
Investment in operating fixed assets		(260,948)	(331,708)
Sale proceeds of property and equipment disposed off		6,232	21,882
Net cash used in investing activities		<u>(3,903,059)</u>	<u>(428,459)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		554,566	1,770,323
Cash and cash equivalents at beginning of the year		13,803,708	12,033,385
Cash and cash equivalents at end of the year	31	<u>14,358,274</u>	<u>13,803,708</u>

The annexed notes 1 to 42 and Annexure I form an integral part of these consolidated financial statements.

\_\_\_\_\_  
ACTING PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

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DIRECTOR

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DIRECTOR

## ZARAI TARAQIATI BANK LIMITED

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

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
..... Rupees in '000 .....					
<b>Balance as at 31 December 2009</b>	12,522,441	1,451,554	60,000	5,007,416	19,041,411
Profit after taxation for the year ended 31 December 2010	-	-	-	1,896,379	1,896,379
Total comprehensive income for the year ended 31 December 2010	-	-	-	1,896,379	1,896,379
Transferred to statutory reserve	-	371,488	-	(371,488)	-
<b>Balance as at 31 December 2010</b>	12,522,441	1,823,042	60,000	6,532,307	20,937,790
Profit after taxation for the year ended 31 December 2011	-	-	-	2,171,269	2,171,269
Total comprehensive income for the year ended 31 December 2011	-	-	-	2,171,269	2,171,269
Transferred to statutory reserve	-	429,030	-	(429,030)	-
<b>Balance as at 31 December 2011</b>	12,522,441	2,252,072	60,000	8,274,546	23,109,059

The annexed notes 1 to 42 and Annexure I form an integral part of these consolidated financial statements.

ACTING PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

## ZARAI TARAQIATI BANK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

#### 1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

##### **Holding company**

- Zarai Taraqati Bank Limited

##### **Subsidiary company**

Kissan Support Services (Private) Limited

#### 1.1 Zarai Taraqati Bank Limited ("the Bank")

##### (a) Reorganization and conversion

The Federal Government in its cabinet meeting held on 28 August 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan and for matters connected therewith or incidental thereto.

##### (b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1)/2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqati Bank Limited on 14 December 2002, the effective date specified by the Federal Government on the basis of net worth determined at Rupees 8.9 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 359 (2010: 355) branches in Pakistan as at close of the year.

##### (c) Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

#### 1.2 Kissan Support Services (Private) Limited ("the Company")

Kissan Support Services (Private) Limited was incorporated in Pakistan as a private limited Company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqati Bank Limited, I-Faisal Avenue, Zero Point, Head Office, Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

## 2 BASIS OF PRESENTATION

These consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary company.

### 3 STATEMENT OF COMPLIANCE

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

**3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" on banks through SRO 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of the Bank's financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

#### **3.3 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year**

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 01 January 2011:

IAS 24 (revised) 'Related party disclosures' issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard classifies and simplifies the definition of a related party and removes the requirement for government - related entities to disclose details of all transactions with the Government and other Government - related entities. The revised standard does not have any significant effect on the Group's consolidated financial statements.

Prepayments of minimum funding requirements (Amendment to IFRIC 14) - effective for annual periods beginning on or after 1 January 2011. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when the IFRIC 14 was issued, and the amendment corrects this. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2011 but are considered not relevant or do not have a significant effect on the Group's operations and therefore are not detailed in the consolidated financial statements.

#### **3.4 Standards, amendments and interpretations to published approved accounting standards that are relevant and not yet effective**

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

IAS 27 "Separate Financial Statements" (2011) effective for annual periods beginning on or after 01 January 2013. IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interest in Other Entities" dealing with IAS 27 would be applicable effective 01 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on consolidated financial statements of the Group.

IAS 19 "Employee Benefits" (amended 2011) effective for annual periods beginning on or after 01 January 2013. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize 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. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. The Group does not plan to adopt this change early and the extent of the impact has not been determined.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after 01 January 2012 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.

The scheme, developed in compliance with the Government of Pakistan policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard 2 "Share Based Payments". Securities and Exchange Commission of Pakistan has granted an exemption from application of IFRS 2 to the scheme. However, the Bank is in process to determine the financial impact of this scheme to be disclosed in the consolidated financial statements.

#### **4 BASIS OF MEASUREMENT**

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments which are carried at fair value.

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to the nearest thousand Rupees.

#### **5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations on future events that are believed to be reasonable under these circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

##### **5.1 Classification of investments**

As described in Note 6.5, held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while held to maturity are investments where the management has positive intention and ability to hold to maturity and available for sale securities are investments that do not fall under the held for trading or held to maturity categories. The classification of these investments involves management judgment at the time of purchase whether these are held for trading, held to maturity or available for sale investments.

##### **5.2 Provision against advances**

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulation issued by State Bank of Pakistan (SBP) and the management's judgment in case of subjective provision.

##### **5.3 Defined benefit plans**

The cost of the defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary



increases, mortality rates and future pension and salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

#### **5.4 Operating fixed assets**

Estimates of useful life of the property and equipment are based on the management's best estimate. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as changes in accounting estimate. Such changes are accounted for as change in accounting estimate in accordance with the IAS 8 "Changes in Accounting Estimates and Errors".

#### **5.5 Impairment**

##### **Impairment of available for sale equity investments**

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

##### **Impairment of investments in associates**

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

##### **Impairment of non-financial assets (excluding deferred tax)**

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the consolidated profit and loss account.

#### **5.6 Taxation**

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profit are taken into account.

### **6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

#### **6.1 Basis of consolidation**

The consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary company.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiary is disposed off. The assets and liabilities of subsidiary company has been consolidated on a line by line basis based on the financial statements as at 31 December 2011 and the carrying

value of investments held by the Bank is eliminated against the subsidiary shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.

## 6.2 Staff retirement benefits

### Zarai Taraqati Bank Limited

The Bank operates the following staff retirements benefits for its employees:

#### Pension scheme

The Bank operates defined benefits funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuaries by using 'Projected Unit Credit Method'. Any actuarial gain / (loss) in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets, is recognized as income or expense over the estimated working lives of the employees.

#### Gratuity scheme

The Bank operates defined benefits funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations. Any actuarial gain / (loss) in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

#### Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefits scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefits scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

#### Benevolent scheme

The Bank also has two funded defined benefits benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

#### Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

### Kissan Support Services (Private) Limited

#### Unfunded medical benefits

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the

reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rupees 400/- per employee per month.

### **Gratuity scheme**

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at 31 December 2011 using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. The gains or losses in excess of amount determined as per above side criteria are recognized over the expected average remaining working lives of the employees participating in the plan.

## **6.3 Employees compensated absences**

### **Zarai Taraqati Bank Limited**

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the Project Unit Credit method.

## **6.4 Cash and cash equivalents**

Cash and cash equivalents comprise of cash, balances with treasury banks and balances with other banks.

## **6.5 Advances**

### **Zarai Taraqati Bank Limited**

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by the SBP.

## **6.6 Investment**

### **Zarai Taraqati Bank Limited**

The Bank classifies its investments as follows:

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

These are securities acquired principally for the purpose of generating profits from short term fluctuations in market price.

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

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

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

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

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

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 classified as 'held to maturity' are carried at amortized cost.

### **Kissan Support Services (Private) Limited**

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

These are the investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold them till maturity and measured at cost, less any impairment loss recognised to reflect irrecoverable amounts.

## **6.7 Operating fixed assets and depreciation/amortization**

Property and equipment except freehold land and capital work in progress is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Gains / losses, if any, on disposal of operating fixed assets are charged to consolidated profit and loss account during the year.

Subsequent costs are included in the asset's 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. All other repairs and maintenance are charged to the consolidated profit and loss account.

## **6.8 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortised over its useful life over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

## **6.9 Impairment**

The carrying value of assets are reviewed at each balance sheet date for impairment whenever

events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the consolidated profit and loss account except for the 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 that asset.

## 6.10 Taxation

### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

### Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of International Accounting Standard (IAS) 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

## 6.11 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

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

## 6.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on nonperforming advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP).
- Commission income is recognized on a time proportion basis.
- Profit / (loss) on sale of investments is credited / charged to consolidated profit and loss account currently.
- Dividend income is recognized when the Group's right to receive has been established.
- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.
- Operating lease rentals are recorded in consolidated profit and loss account on a time proportion basis over the term of lease arrangements.

## 6.13 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a

reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect current best estimate.

#### **6.14 Foreign currencies**

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the balance sheet date.

#### **6.15 Financial assets and financial liabilities**

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, investments, advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

All the 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 derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### **6.16 Offsetting**

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

#### **6.17 Dividend distribution and appropriation**

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

#### **6.18 Borrowing cost**

Borrowing cost on finances which are specifically obtained for the acquisition of qualifying assets are capitalized. All other borrowing costs are charged to consolidated profit and loss account in the period in which these are incurred.

#### **6.19 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Group.

#### **6.20 Other receivables**

Other receivables are recognized at nominal amount which is fair value of consideration to be received in future.

#### **6.21 Trade debts**

Trade debts are carried at the amounts billed / charged, less an estimate made for doubtful debts based on review of outstanding amounts at the year end, if any.

	Note	2011	2010
Rupees in '000			
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>Local currency</b>			
In hand		1,187,932	769,214
Prize bonds		737	622
In current accounts with:			
State Bank of Pakistan	7.1	1,867,791	1,972,245
National Bank of Pakistan		2	3,530
		<u>3,056,462</u>	<u>2,745,611</u>

7.1 This represents cash reserves at the rate of 5% of the Bank's demand liabilities and deposits with maturity upto one year in Pakistan. These are non-remunerative in nature. Cash reserve is required to be maintained with SBP to comply with the requirements issued from time to time.

	Note	2011	2010
Rupees in '000			
<b>8 BALANCES WITH OTHER BANKS</b>			
In Pakistan - local currency:			
In current accounts		34,104	26,722
In deposit accounts	8.1	11,267,708	11,031,375
		<u>11,301,812</u>	<u>11,058,097</u>

8.1 These carry mark-up ranging from 5.00% to 13.50% per annum (2010: 5.00% to 13.50% per annum)

## 9 INVESTMENTS - NET

9.1 Investment by types	Note	2011			2010		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
..... Rupees in '000 .....							
<b>Available-for-sale securities</b>							
Listed companies	9.3	90,031	-	90,031	90,031	-	90,031
Un-listed companies	9.4.5	10,523	-	10,523	10,523	-	10,523
Units of mutual funds	9.5	-	-	-	100,000	-	100,000
		100,554	-	100,554	200,554	-	200,554
<b>Held-to-maturity securities</b>							
Market treasury bills	9.6	9,698,878	2,193	9,701,071	5,000,857	-	5,000,857
Pakistan investment bonds		-	-	-	995,002	2,529	997,531
Certificates of investment	9.7	697,685	-	697,685	618,122	-	618,122
		10,396,563	2,193	10,398,756	6,613,981	2,529	6,616,510
Total investments at cost		10,497,117	2,193	10,499,310	6,814,535	2,529	6,817,064
Provision for diminution in value of investments	9.2.1	(11,178)	-	(11,178)	(11,108)	-	(11,108)
Investments (net of provisions)		10,485,939	2,193	10,488,132	6,803,427	2,529	6,805,956
Surplus on revaluation of available-for-sale securities	21	1,459,826	-	1,459,826	935,742	-	935,742
Total investments at carrying value		11,945,765	2,193	11,947,958	7,739,169	2,529	7,741,698

	Note	2011	2010
Rupees in '000			
<b>9.2 Investments by segments</b>			
<b>Federal government securities:</b>			
Market treasury bills	9.6	9,701,071	5,000,857
Pakistan investment bonds		-	997,531
		9,701,071	5,998,388
<b>Fully paid-up ordinary shares:</b>			
Listed companies	9.3	90,031	90,031
Un-listed companies	9.4.4	10,523	10,523
		100,554	100,554
<b>Other investments</b>			
Units of mutual funds	9.5	-	100,000
Certificates of investments	9.7	697,685	618,122
		697,685	718,122
<b>Total investment at cost</b>		10,499,310	6,817,064
Provision for diminution in value of investments	9.2.1	(11,178)	(11,108)
<b>Investments (net of provisions)</b>		10,488,132	6,805,956
Surplus on revaluation of available-for-sale securities	21	1,459,826	935,742
<b>Total investments at carrying value</b>		11,947,958	7,741,698

**9.2.1 Particulars of provision for diminution in value of investments**

Opening balance	11,108	11,108
Charge for the year	70	-
Reversals	-	-
Closing balance	11,178	11,108

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

Available-for-sale securities - listed securities	655	585
Available-for-sale securities - un-listed securities	10,523	10,523
	11,178	11,108

**9.3 Particulars of investments held in listed companies**

Number of ordinary shares		Paid up value/ share	Name	2011	2010
2011	2010	Rupees		Rupees in '000	
430,551	430,551	10	Nestle Pakistan Limited	89,296	89,296
450,000	450,000	10	Uqab Breeding Farm Limited (Note 9.3.1)	585	585
150,000	150,000	10	Mubarik Dairies Limited	150	150
300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 9.3.2)	-	-
				90,031	90,031

**9.3.1** Uqab Breeding Farm Limited is under suspension since 09 April 2007. At the date of suspension, its market value per share was nil against its face value of Rupees 10 per share. This investment has been fully provided for in these consolidated financial statements.



9.3.2 Dadabhoy Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rupees 2.50 against its face value of Rupees 10 per share. However, at the time of conversion of ADBP into the Bank this investment was transferred to the Bank at Rupee 01.

9.3.3 Market value of listed investments is Rupees 1,549.202 million (2010: Rupees 1,125.188 million).

#### 9.4 Particulars of investments held in un-listed companies

Name of Investee	Percent- age of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Name of chief executive/ managing director
Rupees					
Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange Limited) (Note 9.4.1)	4.78%	909,091	(8,538,711)	30 June 2011	Mr. Samir Ahmed
"Saudi Pak Kala Bagh Livestock Limited (Note 9.4.2 & 9.4.4)"	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 9.4.4)	8.33%	2,500	(391,710)	31 March 2011	Maj.Gen.(R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 9.4.3 & 9.4.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

9.4.1 Due to negative break up value, this investment has been fully provided in these consolidated financial statements.

9.4.2 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan obtained from the Bank and the case has been referred to National Accountability Bureau.

9.4.3 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

9.4.4 Investments in Saudi Pak Kalabagh Livestock Limited, Pakistan Agricultural Storage and Services Corporation Limited and Larkana Sugar Mills Limited were transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rupee 01 each.

9.4.5 Cost of unlisted investments is Rupees 10.523 million and face value of investments in unlisted shares is Rupees 35.788 million.

#### 9.5 Particulars of investment in units of mutual fund

Units of Mutual Fund	Name of Management Company	Number of units held	Paid up value per unit	Total paid up/ nominal value	Cost as at		
					2011	2010	
Rupees						Rupees in '000	
NAFA Government Securities Liquid Fund	NBP National Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited)	9,900,596	10	99,006	-	100,000	

#### 9.6 Principal terms of investments in market treasury bills - Federal Government Securities

Name of investment	Maturity period	Note	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills	January 2012 to October 2012	9.6.1	On maturity	11.65 to 13.30	at maturity

9.6.1 Market treasury bills are held by the Bank which also cover statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities. Market value of treasury bills as on 31 December 2011 is Rupees 9,709.296 million.

9.6.2 Market treasury bills having amortised cost of Rupees 2.193 million (2010: Pakistan Investment Bonds having amortised cost of Rupees 2.529 million) are pledged / lodged with SBP as security for telegraphic transfer / demand draft discounting facility obtained for branches.

## 9.7 Particulars of investments in certificates of investments

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
"Pak Libya Holding Company (Private) Limited"	AA-/A1+	January 2012 to February 2012	at maturity	12.60 to 13.50	at maturity

## 9.8 Quality of Available-for-Sale securities

	2011		2010	
	Market value	Credit Rating	Market value	Credit Rating
	Rupees in '000		Rupees in '000	
<b>Shares in listed companies</b>				
Nestle Pakistan Limited	1,549,122	Unrated	1,022,498	Unrated
Uqab Breeding Farm Limited	-	Unrated	-	Unrated
Mubarik Dairies Limited	80	Unrated	600	Unrated
	<u>1,549,202</u>		<u>1,023,098</u>	
<b>Shares in un-listed companies</b>				
Pakistan Mercantile Exchange Limited (Formerly National Commodity Exchange Limited)	-	Unrated	-	Unrated
<b>Units of mutual fund</b>				
NAFA Government Securities Liquid Fund	-	-	102,090	AM2-
	<u>1,549,202</u>		<u>1,125,188</u>	

**Note**                      **2011**                      **2010**  
**Rupees in '000**

## 10 ADVANCES - NET

Loans, etc.				
In Pakistan - gross	10.1	92,032,077	92,466,919	
Less:				
- Provision against non-performing advances	10.2	(7,266,212)	(7,654,018)	
- Provision against staff advances		(22,159)	(20,307)	
		<u>(7,288,371)</u>	<u>(7,674,325)</u>	
Advances-net of provision		<u>84,743,706</u>	<u>84,792,594</u>	

**2011**                      **2010**  
**Rupees in '000**

## 10.1 Particulars of advances (gross)

10.1.1	In local currency	<u>92,032,077</u>	<u>92,466,919</u>
10.1.2	Short term	53,662,334	53,589,692
	Long term	38,369,743	38,877,227
		<u>92,032,077</u>	<u>92,466,919</u>

- 10.2 Advances include Rupees 19,924.581 million (2010: Rupees 17,244.928 million) which have been placed under non-performing status as detailed below:

Category of classification	2011			2010		
	..... Rupees in '000 .....			..... Rupees in '000 .....		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	12,648,254	-	-	10,730,393	-	-
Substandard	2,496,927	499,380	499,380	1,046,760	209,335	209,335
Doubtful	2,020,112	1,007,544	1,007,544	2,046,182	1,023,090	1,023,090
Loss	2,759,288	2,759,288	2,759,288	3,421,593	3,421,593	3,421,593
	19,924,581	4,266,212	4,266,212	17,244,928	4,654,018	4,654,018
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	19,924,581	4,266,212	7,266,212	17,244,928	4,654,018	7,654,018

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

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
Opening balance	4,654,018	3,000,000	7,654,018	4,401,719	3,000,000	7,401,719
Charge for the year	3,646,103	-	3,646,103	3,107,670	-	3,107,670
Reversals	(2,966,431)	-	(2,966,431)	(1,742,186)	-	(1,742,186)
	679,672	-	679,672	1,365,484	-	1,365,484
Amounts written off 10.4	-	-	-	-	-	-
Amounts charged off 10.5	(1,067,478)	-	(1,067,478)	(1,113,185)	-	(1,113,185)
Closing balance	4,266,212	3,000,000	7,266,212	4,654,018	3,000,000	7,654,018

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

	2011			2010		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
In local currency	4,266,212	3,000,000	7,266,212	4,654,018	3,000,000	7,654,018

- 10.3.2 Regulations R-17, R-18, R-21 and R-25 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

- 10.3.3 In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,057.947 million (2010: Rupees 1,666.635 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2011	2010
		Rupees in '000	
<b>10.4 Particulars of write offs</b>			
<b>10.4.1</b> Against provisions		-	-
Write offs of Rupees 500,000 and above	10.6	-	-
Write offs of below Rupees 500,000		-	-
		-	-
<b>10.5 Particulars of charged offs</b>			
<b>10.5.1</b> Against provisions		1,067,478	1,113,185
<b>10.5.2</b> Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000		1,067,478	1,113,185
	10.7	1,067,478	1,113,185
<b>10.6 Details of write offs of Rupees 500,000 and above</b>			
In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2011, no write-off or any other financial relief of five hundred thousand Rupees or above was allowed to any person(s).			
<b>10.7 Particulars of charged off</b>			
In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2011 was Rupees 31,552 million (Rupees 33,432 million as at 31 December 2010) with an addition of Rupees 1,067 million (Rupees 1,113 million for the year ended 31 December 2010) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand Rupees is given at Annexure-I.			
<b>10.8 Particulars of loans and advances to directors, executives and officers</b>			
Debts due by the directors, executives and officers of the bank or any of them either severally or jointly with other persons:			
	Note	2011	2010
		Rupees in '000	
Balance at the beginning of year		2,151,881	2,422,307
Loans granted during the year		366,283	127,014
		2,518,164	2,549,321
Repayments		(383,259)	(397,440)
Balance at the end of year		2,134,905	2,151,881
<b>11 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	166,213	86,485
Property and equipment	11.2	1,003,131	1,038,686
Intangible assets	11.3	17	8,770
		1,169,361	1,133,941
<b>11.1 Capital work-in-progress</b>			
Civil works		138,770	68,626
Equipment		13,425	-
Advances to suppliers and contractors		150	9,195
Consultancy charges		10,447	8,062
Others		3,421	602
		166,213	86,485

## 11.2 Property and equipment

Description	COST				ACCUMULATED DEPRECIATION					Book value at 31 December 2011	Annual rate of Depreciation	
	At 01 January 2011	Additions / adjustments	(Deletions) / adjustments	Cost of stolen asset	At 31 December 2011	At 01 January 2011	Charge for the year	Depreciation on (deletions) / adjustments	Depreciation of stolen asset			At 31 December 2011
	..... Rupees in '000 .....											
Land - Freehold	221,895	-	-	-	221,895	-	-	-	-	-	221,895	-
Land - Leasehold	10,640	4,499	-	-	15,139	3,184	2,439	-	-	5,623	9,516	Lease terms for 33 to 99 years
Buildings on freehold land	138,505	1,859	-	-	140,364	47,199	4,192	-	-	51,391	88,973	5%
Buildings on leasehold land	328,220	9,183	-	-	337,403	106,449	3,420	-	-	109,869	227,534	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	2,650	929	-	-	3,579	17,645	5%
Furniture and fixtures	90,753	18,990	-	-	109,743	29,118	10,017	-	-	39,135	70,608	10% / 20%
Computer, office and other equipment	206,187	43,772	(3,483)	-	246,476	114,890	43,437	(3,474)	-	154,853	91,623	20% / 33.33%
Computer, office and other equipment - ADB	157,518	-	-	-	157,518	142,380	15,138	-	-	157,518	-	20% / 33.33%
Vehicles	755,754	105,515	(28,142)	(3,212) *	829,915	446,141	131,842	(22,790)	(615) *	554,578	275,337	20%
<b>2011</b>	<b>1,930,696</b>	<b>183,818</b>	<b>(31,625)</b>	<b>(3,212)</b>	<b>2,079,677</b>	<b>892,011</b>	<b>211,414</b>	<b>(26,264)</b>	<b>(615)</b>	<b>1,076,546</b>	<b>1,003,131</b>	

\* This represents the cost and depreciation of the stolen vehicles.





## 11.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION			Annual rate of Amortization		
	At 01 January 2011	At 31 December 2011	At 01 January 2011	Charge for the year	At 31 December 2011		Book value at 31 December 2011	
			..... Rupees in '000 .....					
Computer software	826	-	826	747	63	810	16	33.33%
Computer software - ADB	80,500	-	80,500	71,809	8,690	80,499	1	33.33%
<b>2011</b>	<b>81,326</b>	<b>-</b>	<b>81,326</b>	<b>72,556</b>	<b>8,753</b>	<b>81,309</b>	<b>17</b>	

Description	COST		ACCUMULATED AMORTIZATION			Annual rate of Amortization		
	At 01 January 2010	At 31 December 2010	At 01 January 2010	Charge for the year	At 31 December 2010		Book value at 31 December 2010	
			..... Rupees in '000 .....					
Computer software	799	27	826	507	240	747	79	33.33%
Computer software - ADB	80,500	-	80,500	46,773	25,035	71,809	8,691	33.33%
<b>2010</b>	<b>81,299</b>	<b>27</b>	<b>81,326</b>	<b>47,280</b>	<b>25,275</b>	<b>72,556</b>	<b>8,770</b>	



	Note	2011	2010
Rupees in '000			
<b>12 DEFERRED TAX ASSETS / (LIABILITIES) - NET</b>			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
<b>Taxable temporary differences on:</b>			
Accelerated tax depreciation		(59,126)	(88,199)
Surplus on revaluation of assets	21	(145,983)	(93,574)
		<u>(205,109)</u>	<u>(181,773)</u>
<b>Deductible temporary differences on:</b>			
Provision for gratuity		13,278	10,009
Provision for medical facilities		6,456	3,594
Provision against non-performing loans and advances		536,293	619,872
		<u>350,918</u>	<u>451,702</u>
<b>13 OTHER ASSETS - NET</b>			
Income / mark-up accrued on deposits in local currency		57,541	40,811
Accrued interest / mark-up on advances	13.1	3,768,872	3,967,791
Stationery and stamps on hand		50,029	49,440
Amount recoverable from Federal Government	13.2	446,388	225,120
Crop loan insurance claim recoverable from Insurance Company		357,815	549,120
Tax recoverable	13.3	391,751	391,751
Non banking assets acquired in satisfaction of claims	13.4	316,982	349,887
Receivable from defined benefit plans	13.5	4,913,330	4,230,464
Stock of farm machinery		13,125	13,138
Advances against salary and expenses		14,378	8,318
Security deposits		2,304	2,260
Advances and other prepayments		216,480	282,705
Others	13.6	146,508	21,026
		<u>10,695,503</u>	<u>10,131,831</u>
Provision held against other assets	13.7	(750,799)	(429,414)
Other assets - net of provisions		<u>9,944,704</u>	<u>9,702,417</u>

**13.1** This does not include Rupees 2,616.037 million (2010: Rupees 2,186.803 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

**13.2** This includes amount recoverable from Federal Government on account of crop loan insurance premium.

**13.3** This includes tax recoverable of Rupees 297.149 million for assessment years 1991-92 to 1998-99 as disclosed in Note 22.2.3 and Rupees 11.243 million for the assessment year 2001-2002 as disclosed in Note 22.2.4.

**13.4** Market value of non-banking assets acquired in satisfaction of claims is Rupees 966.069 million (2010: Rupees 821.787 million).

	Note	2011	2010
Rupees in '000			
<b>13.5 Receivable from defined benefit plans</b>			
Pension scheme	34.1.5	3,925,377	3,475,681
Gratuity scheme - Staff Regulations 1975	34.4.1.5	952,808	775,434
Gratuity scheme - net:			
The Bank	34.4.2.5	73,082	7,947
The Company	34.4.3.4	(37,937)	(28,598)
		35,145	(20,651)
	13.5.1	<u>4,913,330</u>	<u>4,230,464</u>

**13.5.1** These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuarial valuation.

	2011	2010
Rupees in '000		
<b>13.6 Others</b>		
Defence saving certificates	-	3
Advance for purchase of machinery / goods in transit	17	17
Legal charges recoverable on suits filed against loan defaulters	19,851	16,672
Income tax recoverable from employees	114,974	-
Trade debts	11,666	4,334
	<u>146,508</u>	<u>21,026</u>

**13.7 Provision held against other assets**

Opening balance	429,414	430,623
Charge for the year	321,763	838
Reversals	(378)	(2,047)
	321,385	(1,209)
Amount written off	-	-
Closing balance	<u>750,799</u>	<u>429,414</u>

	Note	2011	2010
Rupees in '000			
<b>14</b>	<b>BILLS PAYABLE</b>		
	-In Pakistan	208,117	306,040
<b>15</b>	<b>BORROWINGS</b>		
	-In Pakistan	15.1 51,257,213	51,257,213
<b>15.1</b>	<b>Particulars of borrowings with respect to currencies</b>		
	-In local currency	15.2 51,257,213	51,257,213
<b>15.2</b>	<b>Details of borrowings from financial institutions - secured</b>		
	Borrowing from State Bank of Pakistan (SBP)		
	Agricultural loans	15.3 & 15.4 50,174,089	50,174,089
	Agri-project loans	15.3 & 15.4 1,083,124	1,083,124
		<u>51,257,213</u>	<u>51,257,213</u>
<b>15.3</b>	As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rupees 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rupees 48.597 billion are based on profit and loss sharing subject to maximum share of profit to the SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of Government of Pakistan (GoP).		
<b>15.4</b>	These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to the SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP.		
<b>15.5</b>	As a part of restructuring process, the Bank in the year 2003 submitted a proposal to the SBP for restructuring of the total debt according to which the SBP's debt of Rupees 51.257 billion and the SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated 12 June 2003 and capped at the aforesaid mark-up rate for an initial period of five years. SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated 16 December 2004 and ACD/14/Loans-15-A/2004 dated 4 January 2005 agreed with proposed terms except the proposed capping of mark-up rate which was suggested to be fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year. Due to the disagreement on the issue of terms of mark-up, this proposal could not be implemented. Therefore, mark-up / interest on above debt is being charged in the consolidated profit and loss account as per original terms of agreement.		

In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank, the matter was discussed in the meeting held on 16 January 2008 between representatives of Ministry of Finance (MoF), the Bank and the SBP and also in meetings held thereafter, it was resolved that the SBP in consultation with the Bank and MoF shall firm up proposal regarding the SBP's debt on priority basis. Accordingly, the SBP submitted a proposal pertaining to the Bank's debt restructuring vide letter No. DG/29/08 dated 8 November 2008.

In this regard MoF vide their letter No. F.1(5)1F-I/2007-1217 dated 28 September 2009 advised that Finance Division, the SBP and the Bank will work out a revised proposal to rationalize debt structure of the Bank. As per GoP directive, the SBP presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated 27 October 2009. However, the Bank has requested MoF vide its letter No. 2932 dated 20 November 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated 8 April 2010 that the agreed upon SBP debt restructuring proposal dated 8 November 2008 may be implemented. Thereafter, the SBP revised proposal dated 27 October 2009 was again discussed in a tripartite meeting held in MoF on 7 July 2010 wherein the Bank's representatives stressed that the SBP agreed upon proposal dated 8 November 2008 would be practicable for the Bank. As per minutes of the meeting vide MoF letter No. F.1 (5)IF-I/2007-943 dated 22 July 2010, it was decided that the Bank may come up with a practicable proposal for debt restructuring to be considered by Finance Division and the SBP.

The SBP vide their letter dated 9 February 2011 has submitted a revised proposal, received by the Bank through MoF letter dated 12 February 2011. The Bank's response on the SBP proposal was furnished to MoF vide the Bank's letter dated 22 February 2011 whereby the Bank conveyed its in principal agreement with the revised SBP proposal, subject to some further relaxations. With reference to latest meeting held on this issue on 12 October 2011, among MoF, SBP and the Bank, the MoF has advised the Bank to come with the workable plan to repay these borrowings in 30 years. In order to improve the cash flows of the Bank it has been decided in the aforesaid meeting to remove the cap on lending rates of the Bank's financing to the borrowers. Further, the Bank has been allowed to increase the lending rates gradually in three years.

	Note	2011	2010
		Rupees in '000	
<b>16 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers - local currency</b>			
Fixed deposits		361,334	705,947
Saving deposits	16.1	2,073,861	3,383,270
Current accounts - remunerative		169,966	150,942
Current accounts - non-remunerative	16.2	6,250,627	5,275,213
Unclaimed deposits		29,475	35,355
		<u>8,885,263</u>	<u>9,550,727</u>

**16.1** This includes Rupees 46.907 million (2010: Rupees 32.937 million) as deposit of employees' benefit funds.

**16.2** This includes Rupees 0.017 million (2010: Rupees 0.003 million) as deposit of employees' benefit funds.

#### **17 SUB-ORDINATED LOAN**

As per restructuring plan of the Bank approved by the ECC of the Cabinet, the SBP's equity holding of Rupees 3.204 billion was converted into subordinated loan on terms to be agreed with the SBP. Accordingly, the Bank submitted a proposal to the SBP for restructuring the debt according to which the SBP's debt of Rupees 51.257 billion and SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated 12 June 2003 and capped at the aforesaid mark-up rate for an initial period of five years. As explained in Note 15.5, the latest debt restructuring proposal submitted by the SBP and agreed in principal by the Bank is still under consideration and pending approval of all concerned.

	Note	2011	2010
		Rupees in '000	
<b>18 OTHER LIABILITIES</b>			
Mark-up payable in local currency		26,464,047	22,985,169
Accrued expenses		101,662	505,974
Taxation (provisions less payments)		2,130,826	1,517,561
Branch adjustment account		426,418	570,579
Payable to Ministry of Food Agriculture and Livestock	18.1	176,100	176,100
Profit payable on deposits and other accounts		64,189	67,645
Net liabilities relating to Bangladesh	18.2	189	189
Provision for employees' post retirement medical benefits	34.5.4	4,049,164	4,052,253
Provision for employees' compensated absences	34.6.1	343,973	798,452
Security deposits		14,117	15,046
Deferred income	18.3	17,647	68,671
Others	18.4	748,771	770,160
		<u>34,537,103</u>	<u>31,527,799</u>

- 18.1** This represents the amount of Rupees 8.100 million (2010: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2010: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2011	2010
Rupees in '000			
<b>18.2 Net liabilities relating to Bangladesh</b>			
Liabilities		1,519,405	1,490,115
Assets		(1,519,216)	(1,489,926)
	18.2.1	<u>189</u>	<u>189</u>

- 18.2.1** This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F.5(12)PEC(op-FR)/78-236 dated 6 May 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank show it in the balance sheet only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2011	2010
Rupees in '000			
<b>18.3 Deferred Income</b>			
Opening balance		68,671	136,000
Additions during the year		-	-
Amortization during the year	25	(51,024)	(67,329)
Closing balance		<u>17,647</u>	<u>68,671</u>

- 18.3.1** Deferred income comprises of the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

- 18.4** This represents various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding tax, contribution received from borrowers, trade creditors, etc.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

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

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

		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	Issued as bonus shares	652,829	652,829
<u>1,252,244,067</u>	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

19.3 Shareholder	No of ordinary shares	Paid-up value per share	2011	2010
Rupees in '000				
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,256	1,256
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

**20 RESERVES**

	Statutory reserves	Revenue reserve Contingen- cies reserve	2011	2010
..... Rupees in '000 .....				
Opening balance	1,823,042	60,000	1,883,042	1,511,554
Transfer from unappropriated profit	429,030	-	429,030	371,488
Closing balance	<u>2,252,072</u>	<u>60,000</u>	<u>2,312,072</u>	<u>1,883,042</u>

**20.1** Statutory reserve represents reserve maintained as per requirement of section 21 of the Banking Companies Ordinance, 1962.

**20.2** The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

	2011	2010
Rupees in '000		
<b>21 "SURPLUS ON REVALUATION OF ASSETS - NET OF TAX"</b>		
Surplus arising on revaluation of available-for-sale securities:		
Quoted Investments	1,459,826	933,652
Mutual fund	-	2,090
	<u>1,459,826</u>	<u>935,742</u>
Related deferred tax liability	(145,983)	(93,574)
	<u>1,313,843</u>	<u>842,168</u>

**22 CONTINGENCIES AND COMMITMENTS****22.1 Contingent assets**

**22.1.1** The Government of Pakistan has reduced the markup rates on the Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. 01 July 2004. As per the directive of the Bank's Board of Directors, the Bank has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect has provisionally been worked out at Rupees 26,904 million for the period from 01 July 2004 to 31 December 2011 (2010: Rupees 22,293 million). However, this amount has not been accounted for in these consolidated financial statements as the formal approval from Ministry of Finance has not been received by the Bank.

**22.1.2** There is a contingent asset of an amount of Rupees 1.708 billion (2010: Rupees 752.444 million) receivable from the Federal Government on account of following President Relief Packages.

	2011	2010
Rupees in '000		
Advances outstanding as at 30 April 2007 receivable from borrowers of Badin, Umerkot and Tharparkar districts outstanding as on 30 April 2007	752,444	752,444
Advances outstanding as at 04 August 2008 from borrowers of Girdawar Circles of Mathra and Khalisa of Peshawar districts	61,168	-
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	-
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	-
	<u>1,707,726</u>	<u>752,444</u>

**22.1.3** The Company had let out a property to the Institute of Business Education (IBE) on 27 March 2008. Subsequently, the Company served vacation notice dated 26 January 2009 on IBE. IBE failed to vacate the property within notice period. The Company filed a petition with Civil Judge, Islamabad for vacation of property. This petition was decided in favor of the Company. Subsequently, the Company filed another petition for the recovery of rent arrears for the period beyond the notice period of Rupees 2.669 million along with mark-up @ 2% plus prevailing bank profit rate and cost of suit with the Civil Judge, Islamabad. The case is pending before the court for decision, however, based on legal advisor opinion, the management of the Company is confident of favorable outcome, hence no provision against rent receivable has been provided in these consolidated financial statements. IBE paid an amount of Rupees 0.658 million out of the total claim and deducted tax including surcharge amounting to Rupees 0.045 million. However, the Company returned the cheque received as the amount claim is higher than the payment made. However, the Company took the credit of tax withheld and deposited in the Government treasury by IBE. This reduced the receivable balance to Rupees 2.647 million.

## 22.2 Contingent liabilities

<b>22.2.1</b> Contingent liabilities in respect of 590 cases (2010: 624 cases) filed against the Bank by various borrower.	<u>8,682,362</u>	<u>9,711,832</u>
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<b>22.2.2</b> Contingent liabilities in respect of 340 cases (2010: 263 cases) filed against the Bank in various courts of law by the employees.	<u>144,994</u>	<u>148,857</u>
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**22.2.3** There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under Section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favor. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP has decided that Section 27-A of the ADBP Ordinance should prevail over the said Section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP in lieu of the aforesaid decision.

**22.2.4** Income Tax Department under section 89/205 of the Income Tax Ordinance, 1979 levied income tax amounting to Rupees 11.243 million for the assessment year 2001-2002. The Bank has paid the amount as it was a mandatory payment. The Bank has filed appeals before the CIT(A). The Bank has accounted for the payment as tax recoverable as a favorable decision is expected.

**22.2.5** The cases relating to taxation matters of the Bank for the assessment years 2002-2003, and tax years 2003 to 2009 were contested by the Bank at various forums. Appellate Tribunal Inland Revenue (ATIR) vide its orders dated 9 June 2010 and 22 July 2011, has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 2,369.698 million. However, CIR has filed reference applications under section 133 of Income Tax Ordinance, 2001 against the aforementioned ATIR orders before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2006, 2007, 2008 and 2009. Further, the Bank has filed appeal before ATIR against orders of CIR(A) relating to tax years 2008 and 2009 where the hearing proceeding has been completed. No provision for income tax involved of approximately Rupees 5,254.650 million has been recognized in these consolidated financial statements as the Bank is confident for a favorable outcome in this regard based on strong grounds of appeal.

**22.2.6** ACIR has raised demand of Rupees 429.747 million under section 161 of Income Tax Ordinance, 2001 for the tax year 2010. The CIR(A) against appeal of the aforesaid order remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank has filed an appeal before the ATIR against the aforesaid order where the hearing proceeding has been completed. No provision for income tax involved has been recognized in these consolidated financial statement as the Bank expects a favourable outcome of the matter.

**22.2.7** The SBP debt of Rupees 80.926 billion (Principal Rupees 54.462 billion and mark-up Rupees 26.464 billion) is in the process of repricing / restructuring as explained in Note 15.5. Consequent upon reworking of accrued mark up as advised by the SBP and as explained in Note 15.5 the resultant additional mark up amounting to Rupees 2.729 billion has not been accounted for in these consolidated financial statements, pending formal approval of the debt restructuring proposal including approval of the Bank claim of differential of mark-up amounting to Rupees 26.904 billion from GoP.

		2011	2010
		Rupees in '000	
<b>23</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On loans and advances to customers	7,349,613	7,415,104
	On investments in held to maturity securities	1,224,384	683,104
	On deposits with financial institutions	952,816	819,136
		<u>9,526,813</u>	<u>8,917,344</u>
<b>24</b>	<b>MARK UP / RETURN / INTEREST EXPENSED</b>		
	On deposits	245,733	197,944
	On borrowings and subordinated debt - State Bank of Pakistan	3,541,950	3,512,741
	Bank commission and other charges	2,064	3,080
		<u>3,789,747</u>	<u>3,713,765</u>
		<b>2011</b>	<b>2010</b>
		<b>Rupees in '000</b>	
<b>25</b>	<b>OTHER INCOME</b>		
	Rent on property	21,121	20,925
	Recoveries of charged off amounts	2,336,874	2,947,065
	"Recoveries against loans written-off under Government relief packages"	-	760,000
	Gain on sale of operating fixed assets	871	1,942
	Loan application fee	400,834	305,445
	Deferred income amortization	18.3 51,024	67,329
	Others	25.1 197,417	182,966
		<u>3,008,141</u>	<u>4,285,672</u>
<b>25.1</b>	<b>OTHERS</b>		
	Sale proceeds of loan application forms	18,296	8,390
	Postal charges received from loanees	78,014	42,631
	Miscellaneous income	25.1.1 101,107	131,945
		<u>197,417</u>	<u>182,966</u>



25.1.1 This includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.

## 26 ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits		4,103,433	4,511,484
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	34.1.7	(449,696)	(455,630)
- Benevolent scheme - officers / executives	34.2.7	-	303,138
- Benevolent scheme - clerical / non-clerical	34.3.7	-	82,461
- Gratuity under old staff regulations of the Bank	34.4.1.7	(177,374)	(130,691)
- Gratuity scheme - staff regulation 2005 of the Bank	34.4.2.7	140,106	149,215
- Gratuity scheme of the Company	34.4.3.6	9,382	9,376
- Employees' compensated absences	34.6.1	(454,479)	(395,897)
		(932,061)	(438,028)
Contribution to defined contribution plan - provident fund		41,102	43,456
Non-executive directors' fees and other expenses		9,304	2,598
Rent, taxes, insurance, electricity, etc.		190,134	153,462
Legal and professional charges		64,973	50,455
Communications		59,635	49,077
Repairs and maintenance		35,418	29,905
Motor vehicle expenses		294,849	245,866
Traveling expenses		113,708	135,421
Stationery and printing		63,595	51,527
Advertisement and publicity		18,365	47,503
Auditors' remuneration	26.1	4,750	4,331
Depreciation - tangible	11.2	211,414	225,276
Amortization - intangible	11.3	8,753	25,275
Commutation to employees	26.2	41,182	11,063
Others		130,847	106,837
		4,459,401	5,255,508

### 26.1 Auditors' remuneration

	2011		Total
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	
	..... Rupees in '000 .....		
Audit fee	807	727	1,534
Fee for half year review	212	182	394
Consolidation of the financial statements of subsidiary company	220	220	440
Other certification	398	398	796
Out of pocket expenses	793	793	1,586
	2,430	2,320	4,750

	2010		Total
	Ilyas Saeed & Co. Chartered Accountants	Anjum Asim Shahid Rahman Chartered Accountants	
	..... Rupees in '000 .....		
Audit fee	661	768	1,429
Fee for half year review	165	165	330
Consolidation of the financial statements of subsidiary company	200	200	400
Other certification	363	362	725
Out of pocket expenses	721	726	1,447
	2,110	2,221	4,331

## 26.2 Commutation to employees

- Under Staff Regulations - 2005

Commutation to employees under Staff Regulations - 2005 (SR - 2005) comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers / executives under SSR-1961 opted for SR - 2005) and amount received from pension fund thereof.

### - Voluntary Golden Handshake Scheme - 2011 for drivers

All drivers of the Bank having age between 55-59 years as on 1 January 2011 were entitled for Voluntary Golden Handshake Scheme (VGHSS - 2011) subject to completion of 10-20 years of service. VGHSS-2011 comprises commutation of pension, compensation, leave encashment, general provident fund, benevolent fund grant and medical facilities.

	Note	2011	2010
		Rupees in '000	
<b>27 OTHER CHARGES</b>			
Penalties imposed by SBP		2,280	691
Fixed assets - written off		-	719
		2,280	1,410
<b>28 TAXATION</b>			
For the year:			
Current	28.1	1,097,961	1,206,524
Deferred		48,376	(191,597)
For prior years:			
Current		3,400	322
		1,149,737	1,015,249

	2011	2010
	Rupees in '000	
<b>28.1 Relationship between income tax expense and accounting profit</b>		
Accounting profit for the year	3,321,006	2,911,628
Add:		
Accounting depreciation and amortization	220,167	250,551
Penalties imposed by SBP	2,280	691
Provision charged against non performing advances as per Prudential Regulations	681,523	1,365,024
	903,970	1,616,266
Less:		
Tax depreciation	136,603	114,941
Provision against non performing advances allowed up to 1% of gross advances	920,321	924,669
Dividend, capital gain and rental income for separate consideration	55,024	56,345
	1,111,948	1,095,955
	3,113,028	3,431,939
Income tax - excluding dividend, capital gain and rental income	1,092,494	1,200,924
Income tax on dividend, capital gain and rental income	5,467	5,600
Income tax for the current period	1,097,961	1,206,524
Applicable tax rate	35%	35%

	2011	2010
<b>29 BASIC EARNINGS PER SHARE</b>		
Profit after tax for the year - Rupees in '000	2,171,269	1,896,379
Weighted average number of ordinary shares outstanding during the year	1,252,244,067	1,252,244,067
Basic earnings per share in Rupees	1.734	1.514

**30 DILUTED EARNINGS PER SHARE**

There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at 31 December 2011.

	Note	2011	2010
		Rupees in '000	
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	7	3,056,462	2,745,611
Balances with other banks	8	11,301,812	11,058,097
		14,358,274	13,803,708

Number

**32 STAFF STRENGTH OF THE BANK**

Permanent	5,789	5,494
Contractual	54	54
Total staff strength	5,843	5,548

**33 CREDIT RATING**

JCR-VIS Credit Rating Company, Karachi in its report dated 05 April 2012 has reaffirmed credit rating of the Bank at AAA/A-1+ (2010 : AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B (2010 : B+ medium to long term, B short term rating).

**34 DEFINED BENEFIT AND CONTRIBUTION PLANS**

The Bank operates the following retirement benefit plans for its employees:

Pension Scheme - funded  
 Benevolent Scheme - funded  
 Post Retirement Medical Benefits - unfunded  
 Employees Gratuity Scheme - funded  
 Employees Compensated Absences - unfunded  
 Defined Contribution Plan

**34.1 Pension scheme****34.1.1 General description**

For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

**34.1.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2011	2010
	%	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25
Indexation in pension	7.50	8.75

	Note	2011	2010
		Rupees in '000	
<b>34.1.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		1,202,368	1,331,777
Current service cost		35,820	13,477
Interest cost		164,620	179,485
Benefits paid		(97,527)	(102,844)
Actuarial loss / (gain) on obligation		197,824	(219,527)
Present value of obligation as at 31 December		<u>1,503,105</u>	<u>1,202,368</u>
<b>34.1.4 Changes in the fair value of plan assets</b>			
Total assets as on 01 January		4,609,499	5,180,979
Expected return on plan assets		650,136	648,592
Refund		-	(1,030,633)
Benefits paid		(97,527)	(102,844)
Actuarial gain / (loss) on assets		44,065	(86,595)
Total assets as at 31 December		<u>5,206,173</u>	<u>4,609,499</u>
<b>34.1.5 Amounts recognized in statement of financial position</b>			
Present value of defined benefit obligation		1,503,105	1,202,368
Fair value of plan assets		(5,206,173)	(4,609,499)
Net actuarial gains not recognized		(222,309)	(68,550)
Asset recognized in the statement of financial position	13.5	<u>(3,925,377)</u>	<u>(3,475,681)</u>
	Note	2011	2010
		Rupees in '000	
<b>34.1.6 Movement in net asset recognized</b>			
Opening net assets		(3,475,681)	(4,050,684)
Credit for the year	34.1.7	(449,696)	(455,630)
Refund during the year		-	1,030,633
Closing net asset		<u>(3,925,377)</u>	<u>(3,475,681)</u>

**34.1.7 Income recognized in the profit and loss account**

Current service cost	35,820	13,477
Interest cost	164,620	179,485
Expected return on plan assets	(650,136)	(648,592)
	<u>(449,696)</u>	<u>(455,630)</u>

**34.1.8 Actual return on plan assets**

Actual return on plan assets	<u>694,201</u>	<u>561,997</u>
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**34.1.9 Composition of fair value of plan assets**

	2011		2010	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
Government securities	2,744,217	52.71	761,538	16.52
Term deposit receipts	2,436,956	46.81	3,812,054	82.70
Deposits in the Bank	10,763	0.21	36,214	0.79
Debtors and creditors	14,237	0.27	(307)	(0.01)
Fair value of total plan assets	<u>5,206,173</u>	<u>100.00</u>	<u>4,609,499</u>	<u>100.00</u>

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
<b>34.1.10 Other relevant details</b>					
Present value of defined benefit obligation	1,503,105	1,202,368	1,331,776	2,267,226	1,838,739
Fair value of plan assets	(5,206,173)	(4,609,499)	(5,180,979)	(5,114,465)	(4,751,634)
Surplus in pension fund	<u>(3,703,068)</u>	<u>(3,407,131)</u>	<u>(3,849,203)</u>	<u>(2,847,239)</u>	<u>(2,912,895)</u>
Experience adjustment	(197,824)	219,527	24,259	(288,108)	(84,287)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(197,824)</u>	<u>219,527</u>	<u>24,259</u>	<u>(288,108)</u>	<u>(84,287)</u>
Experience adjustment	44,065	(86,595)	(70,837)	(90,270)	94,677
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>44,065</u>	<u>(86,595)</u>	<u>(70,837)</u>	<u>(90,270)</u>	<u>94,677</u>

**34.2 Benevolent scheme - officers / executives****34.2.1 General description**

For all officers / executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rupees 100, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

**34.2.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	%	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25

**34.2.3 Changes in the present value of obligation**

	2011	2010
	Rupees in '000	
Present value of obligation as on 01 January	177,105	165,502
Current service cost	7,503	5,689
Interest cost	24,558	22,497
Benefits paid	(9,861)	(9,947)
Actuarial loss / (gain) on obligation	11,828	(6,636)
Present value of obligation as at 31 December	<u>211,133</u>	<u>177,105</u>

**34.2.4 Changes in the fair value of plan assets**

Total assets as on 01 January	545,226	502,094
Expected return on plan assets	77,015	69,620
Benefits paid	(9,861)	(9,947)
Actuarial loss on assets	(3,017)	(16,541)
Total assets as at 31 December	<u>609,363</u>	<u>545,226</u>

**34.2.5 Amounts recognized in the statement of financial position**

Present value of defined benefit obligation	211,133	177,105
Fair value of plan assets	(609,363)	(545,226)
Unrecognized actuarial gain	8,705	23,549
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"	389,525	344,572
Asset recognized in the statement of financial position	<u>-</u>	<u>-</u>

**34.2.6 Movement in net asset recognized**

Opening net receivable		-	(303,138)
Credit for the year	34.2.7	-	303,138
Closing net receivable		<u>-</u>	<u>-</u>

**34.2.7 Expense recognized in profit and loss account**

Current service cost		7,503	5,689
Interest cost		24,558	22,497
Expected return on plan assets		(77,015)	(69,620)
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"		44,954	344,572
		<u>-</u>	<u>303,138</u>

**34.2.8 Actual return on plan assets**

Actual return on plan assets		73,998	53,079
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**34.2.9 Composition of fair value of plan assets**

	2011		2010	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
Government securities	347,352	57.00	90,294	16.56
Term deposit receipts	241,570	39.64	435,088	79.80
Deposits in the Bank	3,703	0.61	5,218	0.96
Debtors and creditors	16,738	2.75	14,626	2.68
Fair value of total plan assets	<u>609,363</u>	<u>100.00</u>	<u>545,226</u>	<u>100.00</u>

**34.2.10 Other relevant details**

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
Present value of defined benefit obligation	211,133	177,105	165,502	157,652	208,563
Fair value of plan assets	(609,363)	(545,226)	(502,094)	(463,458)	(437,347)
Surplus in benevolent scheme - officers / executives	<u>(398,230)</u>	<u>(368,121)</u>	<u>(336,592)</u>	<u>(305,806)</u>	<u>(228,784)</u>
Experience adjustment	(11,828)	6,636	9,424	70,580	(24,841)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(11,828)</u>	<u>6,636</u>	<u>9,424</u>	<u>70,580</u>	<u>(24,841)</u>
Experience adjustment	(3,017)	(16,541)	(32,950)	(26,390)	(7,521)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	<u>(3,017)</u>	<u>(16,541)</u>	<u>(32,950)</u>	<u>(26,390)</u>	<u>(7,521)</u>

**34.3 Benevolent scheme - clerical / non-clerical****34.3.1 General description**

For all clerical / non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rupees 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

**34.3.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	%	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25

**34.3.3 Changes in the present value of obligation**

	2011	2010
	Rupees in '000	
Present value of obligation as on 01 January	20,014	34,041
Current service cost	1,115	1,471
Interest cost	2,759	4,689
Benefits paid	(1,353)	(1,130)
Actuarial loss / (gain) on obligation	835	(19,057)
Present value of obligation as at 31 December	<u>23,370</u>	<u>20,014</u>

**34.3.4 Changes in the fair value of plan assets**

	2011	2010
	Rupees in '000	
Total assets as on 01 January	240,105	224,993
Expected return on plan assets	34,122	31,423
Benefits paid	(1,353)	(1,130)
Actuarial gain / (loss) on assets	419	(15,181)
Total assets as at 31 December	<u>273,293</u>	<u>240,105</u>

**34.3.5 Amounts recognized in the statement of financial position**

Present value of defined benefit obligation		23,370	20,014
Fair value of plan assets		(273,293)	(240,105)
Net actuarial gains not recognized		96,029	101,618
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"		153,894	118,473
Asset recognized in the statement of financial position		-	-

**Note**                      **2011**                      **2010**  
**Rupees in '000**

**34.3.6 Movement in net asset recognized**

Opening net receivable		-	(82,461)
Credit for the year	34.3.7	-	82,461
Closing net receivable		-	-

**34.3.7 Expense recognized in profit and loss account**

Current service cost		1,115	1,471
Interest cost		2,759	4,689
Expected return on plan assets		(34,122)	(31,423)
Actuarial gains recognized		(5,174)	(10,749)
Unrecognized due to Para 58(b) of IAS 19 "Employee Benefits"		35,422	118,473
		-	82,461

**34.3.8 Actual return on plan assets**

Actual return on plan assets		34,541	16,242
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**34.3.9 Composition of fair value of plan assets**

	2011		2010	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
Government securities	121,139	44.33	24,293	10.12
Term deposit receipts	156,419	57.23	220,947	92.02
Deposits in the Bank	4,824	1.77	4,372	1.82
Debtors and creditors	(9,089)	(3.33)	(9,507)	(3.96)
Fair value of total plan assets	273,293	100.00	240,105	100.00



	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
<b>34.3.10 Other relevant details</b>					
Present value of defined benefit obligation	23,370	20,014	34,041	32,555	41,989
Fair value of plan assets	(273,293)	(240,105)	(224,993)	(195,519)	(181,826)
Surplus in benevolent scheme - clerical / non-clerical	(249,923)	(220,091)	(190,952)	(162,964)	(139,837)
Experience adjustment	(835)	19,057	3,695	14,700	6,368
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(835)	19,057	3,695	14,700	6,368
Experience adjustment	419	(15,181)	(4,376)	(11,052)	(23,706)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	419	(15,181)	(4,376)	(11,052)	(23,706)

#### 34.4 Gratuity scheme

##### 34.4.1 Gratuity under old Staff Regulations of the Bank

###### 34.4.1.1 General description

For employees who opted for the scheme introduced in 1975 for clerical/non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

###### 34.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	%	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25

Note	2011	2010
	Rupees in '000	

###### 34.4.1.3 Changes in the present value of obligation

Present value of obligation as on 01 January	-	357,969
Current service cost	-	40
Interest cost	-	49,420
Benefits paid	-	(10,277)
Actuarial gain on obligation	-	(397,152)
Present value of obligation as at 31 December	-	-

###### 34.4.1.4 Changes in the fair value of plan assets

Total assets as on 01 January	1,244,730	1,483,278
Expected return on plan assets	177,374	180,151
Contributions	-	(395,993)
Benefits paid	-	(10,277)
Actuarial gain / (loss) on assets	3,700	(12,429)
Total assets as at 31 December	1,425,804	1,244,730

**34.4.1.5 Amounts recognized in the statement of financial position**

Fair value of plan assets		(1,425,804)	(1,244,730)
Net actuarial gains not recognized		472,996	469,296
Asset recognized in the statement of financial position	13.5	<u>(952,808)</u>	<u>(775,434)</u>

**34.4.1.6 Movement in net asset recognized**

Opening net assets		(775,434)	(1,040,736)
Credit for the year	34.4.1.7	(177,374)	(130,691)
Contribution to fund during the year		-	395,993
Closing net assets		<u>(952,808)</u>	<u>(775,434)</u>

**34.4.1.7 Income recognized in profit and loss account**

Current service cost		-	40
Interest cost		-	49,420
Expected return on plan assets		(177,374)	(180,151)
		<u>(177,374)</u>	<u>(130,691)</u>

**34.4.1.8 Actual return on plan assets**

Actual return on plan assets		<u>181,074</u>	<u>161,722</u>
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34.4.1.9 Composition of fair value of plan assets	2011		2010	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
Government securities	333,314	23.37	59,680	4.78
Term deposit receipts	1,081,274	75.84	1,185,259	95.23
Deposits in the Bank	7,995	0.56	2,798	0.23
Debtors and creditors	3,221	0.23	(3,007)	(0.24)
Fair value of total plan assets	<u>1,425,804</u>	<u>100.00</u>	<u>1,244,730</u>	<u>100.00</u>

2011	2010	2009	2008	2007
..... Rupees in '000 .....				

**34.4.1.10 Other relevant details**

Present value of defined benefit obligation	-	-	357,969	6	13
Fair value of plan assets	(1,425,804)	(1,244,730)	(1,483,278)	(1,588,217)	(1,458,085)
Surplus in gratuity under old staff regulations	<u>(1,425,804)</u>	<u>(1,244,730)</u>	<u>(1,125,309)</u>	<u>(1,588,211)</u>	<u>(1,458,072)</u>
Experience adjustment	-	397,152	(13,520)	(9,372)	(6,782)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>-</u>	<u>397,152</u>	<u>(13,520)</u>	<u>(9,372)</u>	<u>(6,782)</u>
Experience adjustment	3,700	(12,429)	(35,230)	(7,763)	(5,905)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>3,700</u>	<u>(12,429)</u>	<u>(35,230)</u>	<u>(7,763)</u>	<u>(5,905)</u>

**34.4.2 Gratuity under Staff Regulations - 2005 (SR-2005) of the Bank****34.4.2.1 General description**

The Bank also operates a separate Gratuity Fund scheme, w.e.f August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.

**34.4.2.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	%	
Valuation discount rate	13.00	14.25
Expected rate of increase in salary	10.75	12.00
Expected rate of return on investments	13.00	14.25

**34.4.2.3 Changes in the present value of obligation**

	Note	2011	2010
		Rupees in '000	
Present value of obligation as on 01 January		612,864	551,398
Current service cost		174,640	149,830
Interest cost		86,502	76,471
Benefits paid		(12,066)	(10,703)
Actuarial gain on obligation		(57,132)	(154,132)
Present value of obligation as at 31 December		<u>804,808</u>	<u>612,864</u>

**34.4.2.4 Changes in the fair value of plan assets**

Total assets as on 01 January		730,213	446,349
Expected return on plan assets		117,361	77,086
Contributions		205,241	226,293
Benefits paid		(12,066)	(10,703)
Actuarial loss on assets		(2,186)	(8,812)
Total assets as at 31 December		<u>1,038,563</u>	<u>730,213</u>

**34.4.2.5 Amounts recognized in the statement of financial position**

Present value of defined benefit obligation		804,808	612,864
Fair value of plan assets		(1,038,563)	(730,213)
Net actuarial gains not recognized		160,673	109,402
Asset recognized in the statement of financial position	13.5	<u>(73,082)</u>	<u>(7,947)</u>

**34.4.2.6 Movement in net (asset) / liability recognized**

	Note	2011	2010
		Rupees in '000	
Opening net (asset) / liability		(7,947)	69,131
Charge for the year	34.4.2.7	140,106	149,215
Contribution to fund during the year		<u>(205,241)</u>	<u>(226,293)</u>
Closing net asset		<u>(73,082)</u>	<u>(7,947)</u>

**34.4.2.7 Expense recognized in profit and loss account**

Current service cost		174,640	149,830
Interest cost		86,502	76,471
Expected return on plan assets		(117,361)	(77,086)
Actuarial gains recognized		<u>(3,675)</u>	<u>-</u>
		<u>140,106</u>	<u>149,215</u>

**34.4.2.8 Actual return on plan assets**

Actual return on plan assets	115,175	68,274
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34.4.2.9 Composition of fair value of plan assets	2011		2010	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
Government securities	442,588	42.62	-	-
Term deposit receipts	558,840	53.81	697,283	95.49
Deposits in the Bank	19,641	1.89	32,937	4.51
Debtors and creditors	17,494	1.68	(7)	(0.00)
Fair value of total plan assets	<u>1,038,563</u>	<u>100.00</u>	<u>730,213</u>	<u>100.00</u>

34.4.2.10 Other relevant details	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
Present value of defined benefit obligation	804,808	612,864	551,398	388,796	270,819
Fair value of plan assets	(1,038,563)	(730,213)	(446,349)	(249,150)	(95,121)
(Surplus) / deficit in gratuity under staff regulations - 2005 (SR-2005)	<u>(233,755)</u>	<u>(117,349)</u>	<u>105,049</u>	<u>139,646</u>	<u>175,698</u>
Experience adjustment	57,132	154,132	(6,896)	325	(46,083)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>57,132</u>	<u>154,132</u>	<u>(6,896)</u>	<u>325</u>	<u>(46,083)</u>
Experience adjustment	(2,186)	(8,812)	2,028	12,019	2,689
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	<u>(2,186)</u>	<u>(8,812)</u>	<u>2,028</u>	<u>12,019</u>	<u>2,689</u>

**34.4.3 Gratuity scheme of the Company****34.4.3.1 General description**

The scheme provides for terminal benefits for all permanent employees of the Company whose period of service is one year. Employees are entitled to gratuity on the basis set out in the Company's staff regulations.

**34.4.3.2 Principal actuarial assumption**

The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:

	2011	2010
	%	
Valuation discount rate	12.50	14.00
Expected rate of increase in salary	11.50	13.00

Note	2011	2010
	Rupees in '000	

**34.4.3.3 Changes in the present value of obligation**

Present value of obligation as on 01 January	28,047	20,742
Current service cost	6,667	6,473
Interest cost	2,714	2,903
Benefits paid	(43)	-
Actuarial gain on obligation	5,266	(2,071)
Present value of obligation as at 31 December	<u>42,651</u>	<u>28,047</u>

**34.4.3.4 Amounts recognized in the statement of financial position**

Present value of defined benefit obligation	42,651	28,047
Net actuarial gains not recognized	(4,714)	551
Asset recognized in the statement of financial position	<u>37,937</u>	<u>28,598</u>

**34.4.3.5 Movement in net (asset) / liability recognized**

Opening net (asset) / liability	28,598	19,222
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Charge for the year	34.4.3.6	9,382	9,376
Contribution to fund during the year		(43)	-
Closing net asset		<u>37,937</u>	<u>28,598</u>
<b>34.4.3.6 Expense recognized in profit and loss account</b>			
Current service cost		6,667	6,473
Interest cost		<u>2,715</u>	<u>2,903</u>
		<u>9,382</u>	<u>9,376</u>
<b>34.5 Post retirement medical benefits</b>			
<b>34.5.1 General description</b>			
The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.			
<b>34.5.2 Principal actuarial assumption</b>			
The latest actuarial valuation is carried out as at 31 December 2011. Actuarial valuation was made using the following significant assumptions:			
		<b>2011</b>	<b>2010</b>
		%	
Valuation discount rate		13.25	14.25
Medical inflation rate		7.50	8.75
		<b>2011</b>	<b>2010</b>
		Rupees in '000	
<b>34.5.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		921,360	2,543,255
Current service cost		150,661	33,444
Interest cost		130,030	354,605
Benefits paid		(18,361)	(21,419)
Actuarial gain on obligation		(89,849)	(1,988,525)
Present value of obligation as at 31 December		<u>1,093,841</u>	<u>921,360</u>
<b>34.5.4 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		1,093,841	921,360
Net actuarial gains not recognized		2,955,323	3,130,893
Liability recognized in the statement of financial position	18	<u>4,049,164</u>	<u>4,052,253</u>
<b>34.5.5 Movement in net liability recognized</b>			
Opening net liability		4,052,253	3,812,486
Charge for the year	34.5.6	15,272	261,186
Benefits paid during the year		(18,361)	(21,419)
Closing net liability		<u>4,049,164</u>	<u>4,052,253</u>
<b>34.5.6 Expense recognized in profit and loss account</b>			
Current service cost		150,661	33,444
Interest cost		130,030	354,605
Actuarial gains recognized		(265,419)	(126,863)
		<u>15,272</u>	<u>261,186</u>
<b>34.5.7 Post retirement medical benefits - sensitivity analysis</b>			
Medical cost trend (%)	6.50%	7.50%	8.50%
Obligation (Rupees in '000)	62,544	70,758	80,725
Regular cost (Rupees in '000)	9,743	11,224	13,038

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
<b>34.5.8 Other relevant details</b>					
Present value of defined benefit obligation	1,093,841	921,360	2,543,255	2,512,406	2,107,028
Deficit in post retirement medical benefits	1,093,841	921,360	2,543,255	2,512,406	2,107,028
Experience adjustment	89,849	1,988,525	360,274	(138,399)	(73,176)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	89,849	1,988,525	360,274	(138,399)	(73,176)

#### 34.6 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method. The valuation used discount rate of 13.00% per annum and expected rate of increase in salary of 10.75% per annum.

	2011	2010
	..... Rupees in '000 .....	
<b>34.6.1 Movement in net liability recognized for compensated absences</b>		
Opening net liability	798,452	1,194,349
Net reversal for the year	(454,479)	(395,897)
Closing net liability	343,973	798,452

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

	2011	2010	2009	2008	2007
	..... Rupees in '000 .....				
Opening net liability	798,452	1,194,349	952,253	708,771	437,659
Net (reversal) / charged for the year	(454,479)	(395,897)	242,096	243,482	271,112
	343,973	798,452	1,194,349	952,253	708,771

#### 34.7 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2120 (2010: 2039) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 3668 (2010: 3455) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 41.102 million (2010: Rupees 43.456 million) in respect of this fund.

## 35

**COMPENSATION OF ACTING PRESIDENT / CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these consolidated financial statements for compensation, including all benefits to the Acting President / Chief Executive, Directors and Executives of the Bank is as follows:

	Acting President		President		Directors		Executives	
	2011	2010	2011	2010	2011	2010	2011	2010
	..... Rupees in '000 .....							
Fee	-	-	-	-	9,304	2,598	-	-
Managerial remuneration	1,021	-	-	-	-	-	1,905,856 *	1,514,330
Charged for defined benefit plan	78	-	-	-	-	-	123,479 **	118,210
Contribution to defined benefit fund	-	-	-	-	-	-	20,997	20,223
Rent and house maintenance	-	-	-	-	-	-	10,336	10,770
Utilities	-	-	-	-	-	-	2,584	2,693
Medical	-	-	-	116	-	-	2,929	3,032
Conveyance	-	-	402	387	-	-	2,786	3,111
Furnishing allowance	-	-	-	-	-	-	2,393	4,710
Club facility	-	-	14	18	-	-	-	-
	1,099	-	416	521	9,304	2,598	2,071,360	1,677,079
Number of persons	1	-	1	1	11	11	1,587	1,590

\* It includes an amount of Rupees 4.843 million relating to Acting President pertaining to the period prior to her appointment as Acting President.

\*\* It includes an amount of Rupees 0.326 million relating to Acting President pertaining to the period prior to her appointment as Acting President.

## 35.1

The Chief executive, senior vice presidents and above, other than covered under SR-2005, have been provided with Bank maintained cars. Vice presidents and above, governed by SR-2005, have also been provided cars under Cars Loan Depreciation Policy (CLDP).

## 36

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in Note 5.2 to these consolidated financial statements.

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

## 37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing and support services
..... Rupees in '000 .....									
<b>2011</b>									
Total income	-	-	-	-	-	-	-	-	12,576,059
Total expenses	-	-	-	-	-	-	-	-	9,255,053
Net income before tax	-	-	-	-	-	-	-	-	3,321,006
Taxation	-	-	-	-	-	-	-	-	1,149,737
Income after tax	-	-	-	-	-	-	-	-	2,171,269
Segment assets (gross)	-	-	-	-	-	-	-	-	130,565,269
Segment non performing loans	-	-	-	-	-	-	-	-	19,924,581
Segment provision required	-	-	-	-	-	-	-	-	4,266,212
Segment liabilities	-	-	-	-	-	-	-	-	98,092,019
Segment return on net assets (%)	-	-	-	-	-	-	-	-	8.89%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.98%
<b>2010</b>									
Total income	-	-	-	-	-	-	-	-	14,230,023
Total expenses	-	-	-	-	-	-	-	-	11,352,181
Net income before tax	-	-	-	-	-	-	-	-	2,877,842
Taxation	-	-	-	-	-	-	-	-	1,013,556
Income after tax	-	-	-	-	-	-	-	-	1,864,286
Segment assets (gross)	-	-	-	-	-	-	-	-	125,740,907
Segment non performing loans	-	-	-	-	-	-	-	-	17,244,928
Segment provision required	-	-	-	-	-	-	-	-	4,654,018
Segment liabilities	-	-	-	-	-	-	-	-	95,881,306
Segment return on net assets (%)	-	-	-	-	-	-	-	-	8.59%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.80%



**38 RELATED PARTY TRANSACTIONS AND BALANCES**

The Group has related party transactions with its subsidiary company, employee benefit plans and key management personnel.

Details of transactions with related parties and balances with them other than those disclosed in these consolidated financial statements are as under:

	<b>Key management personnel</b>	
	<b>2011</b>	<b>2010</b>
	<b>..... Rupees in '000' .....</b>	
<b>The Bank</b>		
<b>Advances</b>		
Balance at the beginning of the year	18,075	13,493
Loan granted during the year	804	7,995
Repayment during the year	(2,945)	(3,413)
Balance at the end of the year	<u>15,934</u>	<u>18,075</u>
<b>Deposits</b>		
Deposits at the beginning of the year	10,625	9,229
Deposits received during the year	65,241	55,328
Deposits repaid during the year	(68,082)	(53,932)
Deposits at the end of the year	<u>7,784</u>	<u>10,625</u>
	<b>Key management personnel</b>	
	<b>2011</b>	<b>2010</b>
	<b>..... Rupees in '000' .....</b>	
Mark-up / interest earned	654	629
Compensation	74,152	53,668
Post retirement benefit	4,060	3,783
Contribution to defined benefit plans	327	304
Services rendered by subsidiary company	-	-
Rent, accounting and communication charges	-	-
<b>The Company</b>		
Remuneration and other benefits	1,560	1,524

**39 CAPITAL ASSESSMENT AND ADEQUACY**

39.1 The Basel II Framework is applicable to the Bank at the level of standalone financial statements of the Bank. Credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach.

**39.2 Capital Management**

Objectives and goals of managing capital

The objectives and goals of managing capital of the Bank are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;

- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

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

The State Bank of Pakistan through its BSD Circular No.07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ending on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2011 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2011 is 25.72% of its risk weighted exposure.

Bank's regulatory capital is analyzed in to two tiers:

- Tier 1 capital, which includes fully paid-up capital and unappropriated profits and after 50% deduction for investment in equity of subsidiary company and deduction for book value of intangibles.
- Tier 2 capital, which includes general provision for loan losses (up to a maximum of 1.25 % of risk weighted assets), subordinated debt limited to maximum of 50% of the amount of Tier-1 capital, revaluation reserve up to a maximum of 45 % and 50% deduction for investment in the equity of subsidiary company.

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 Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated 25 November 2008 and BSD Circular No. 07 of 2009 dated 15 April 2009. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan 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.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach / view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank has complied with all externally imposed capital requirements throughout the year. Further, there has been no change in the Bank's management of capital during the year.

**39.3 Capital adequacy ratio**

The risk weighted assets to capital ratio, calculated in accordance with the SBP guidelines on capital adequacy was as follows:

	2011	2010
	Rupees in '000	
<b>Capital Structure</b>		
Tier 1 capital		
Shareholders capital	12,522,441	12,522,441
Reserves	2,313,441	1,884,411
Unappropriated profits	8,171,742	6,455,623
	23,007,624	20,862,475
<b>Less:</b>		
Book value of intangible	(17)	(8,770)
50% deduction for investment in subsidiary company	(50,000)	(50,000)
	(50,017)	(58,770)
<b>Total tier 1 capital</b>	22,957,607	20,803,705
<b>Tier 2 capital</b>		
Subordinated debt (upto 50% of total Tier 1 capital)	3,204,323	3,204,323
General provision subject to 1.25% of total risk weighted assets	1,364,333	1,096,008
Revaluation reserve (upto 45%)	591,229	378,976
	5,159,885	4,679,307
Less: 50% deduction for investment in subsidiary company	(50,000)	(50,000)
<b>Total tier 2 capital</b>	5,109,885	4,629,307
<b>Eligible tier 3 capital</b>	-	-
<b>Total regulatory capital base</b> (a)	28,067,492	25,433,012

	2011	2010	2011	2010
	Capital Requirements		Risk Weighted Assets	
	Rupees in '000			
<b>Credit risk</b>				
Banks	238,395	231,366	2,383,949	2,313,656
Corporate	-	2,042	-	20,418
Retail	5,254,195	5,483,566	52,541,953	54,835,659
Loans secured against residential property	71,029	73,062	710,290	730,615
Past due loans	2,198,250	1,795,611	21,982,496	17,956,107
Listed equity investments	154,920	102,310	1,549,202	1,023,098
Investments in fixed assets	116,715	112,296	1,167,150	1,122,963
Other assets	945,277	967,810	9,452,773	9,678,103
<b>Total credit risk</b>	8,978,781	8,768,063	89,787,813	87,680,619
<b>Market risk</b>				
Interest rate risk	-	-	-	-
Equity position risk	-	-	-	-
Foreign exchange risk	-	-	-	-
<b>Total market risk</b>	-	-	-	-
<b>Operational risk</b>				
Capital requirement for operational risk	1,548,706	1,543,664	19,358,820	19,295,798
<b>Total</b> (b)	10,527,487	10,311,727	109,146,633	106,976,417
			<b>2011</b>	<b>2010</b>
<b>Capital adequacy ratio [ (a) / (b) x 100]</b>			25.72%	23.77%

## 40 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default.
- Market risk is the risk of loss arising from adverse movements in market variables such as interest rates, exchange rates and equity indices.
- Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when due.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.
- Equity position risk is the risk that arises due to changes in prices of individual stocks or levels of equity indices.

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market, liquidity, operational and equity position risks. The Bank's risk management department is independent of the business and operations and directly reports to the President. The Bank's systematic and integrated risk management function for each category of risk is as follows:

### 40.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio will be more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report will also be generated. This will enable the management to take proactive measurements for having a quality credit portfolio/products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors.

#### 40.1.1 Credit Risk - General disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

#### 40.1.2 Credit Risk: Disclosures for portfolio subject to the standardized approach

Under the standardized approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. However, there are no exposures for which ratings from ECAIs are used by the Bank.

**Credit exposures subject to standardized approach**

Exposures	Rating	2011			2010		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000 .....							
Cash and cash equivalents	-	1,188,669	1,188,669	-	769,836	769,836	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	12,015,250	12,015,250	-	7,981,553	7,981,553	-
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	11,919,744	9,535,795	2,383,949	11,568,282	9,254,626	2,313,656
Claims on corporate (excluding equity exposures)	1	-	-	-	102,090	81,672	20,418
Claims categorized as retail portfolio	-	70,055,937	17,513,984	52,541,953	73,114,212	18,278,553	54,835,659
Claims fully secured by residential property	-	2,029,400	1,319,110	710,290	2,087,472	1,356,857	730,615
Past due loans	-	15,658,369	(6,324,127)	21,982,496	12,590,910	(5,365,197)	17,956,107
Listed equity investments	-	1,549,202	-	1,549,202	1,023,098	-	1,023,098
Investments in premises, plant and equipment and all other fixed assets	-	1,167,150	-	1,167,150	1,122,963	-	1,122,963
All other assets	-	9,452,773	-	9,452,773	9,678,103	-	9,678,103
		<u>125,036,494</u>	<u>35,248,681</u>	<u>89,787,813</u>	<u>120,038,519</u>	<u>32,357,900</u>	<u>87,680,619</u>

**40.1.3 Credit Risk: Disclosures with respect to credit risk mitigation for standardized approach**

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

**40.1.4 Credit Risk: Disclosures for portfolio subject to the standardized approach**

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due). Advances are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

**Concentration of risk**

Out of the total financial assets of the Bank of Rupees 115,664 million (2010: Rupees 115,665 million) the financial assets which are subject to credit risk amounting to Rupees 114,576 million (2010: Rupees 114,895 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments of the Bank amounting to Rupees 9,701 million (2010: Rupees 5,998 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rupees 1,868 million (2010: Rupees 1,972 million) are held by the Bank with the State Bank of Pakistan.

#### 40.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2011 the composition of equity investments and subsidiary is as follows:

Exposures	Available for Sale	Subsidi- ary
	Rupees in '000	
Equity investments - publicly traded	1,549,202	-
Equity investments - others	-	100,000
Total value	1,549,202	100,000

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

Investments - Available for sale

Investment in subsidiary

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiary are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is 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 of the Bank 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.

The cumulative unrealized gain of Rupees 1,459.901 million (2010: Rupees 935.742 million) is recognized in the statement of financial position in respect of "available for sale" securities.

**40.1.6 Segmental information**

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

**40.1.7 Segments by class of business**

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	89,439,508	97.18%	-	-	8,682,362	50.36%
Individuals	-	-	8,837,296	98.60%	144,994	0.84%
Others	2,592,569	2.82%	125,161	1.40%	8,413,397	48.80%
	<b>92,032,077</b>	<b>100%</b>	<b>8,962,457</b>	<b>100%</b>	<b>17,240,753</b>	<b>100%</b>

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	89,827,362	97.15%	-	-	-	0.00%
Individuals	-	-	9,464,035	99.09%	9,860,689	52.66%
Others	2,639,557	2.85%	86,692	0.91%	8,864,928	47.34%
	<b>92,466,919</b>	<b>100%</b>	<b>9,550,727</b>	<b>100%</b>	<b>18,725,617</b>	<b>100%</b>

**40.1.8 Segments by sector**

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	1,042	0.01%	8,413,397	48.80%
Private	92,032,077	100.00%	8,837,296	99.99%	8,827,356	51.20%
	<b>92,032,077</b>	<b>100.00%</b>	<b>8,838,338</b>	<b>100.00%</b>	<b>17,240,753</b>	<b>100.00%</b>

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ government *	-	-	1,708	0.02%	8,864,928	47.34%
Private	92,466,919	100.00%	9,549,019	99.98%	9,860,689	52.66%
	<b>92,466,919</b>	<b>100.00%</b>	<b>9,550,727</b>	<b>100.00%</b>	<b>18,725,617</b>	<b>100.00%</b>

\* This amount represents deposits belonging to autonomous / semi-autonomous bodies.

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

	2011		2010	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000 .....			
Agriculture, forestry, hunting and fishing	19,924,581	7,266,212	17,244,928	4,654,018
Advances to employees	22,159	22,159	20,307	20,307
	<u>19,946,740</u>	<u>7,288,371</u>	<u>17,265,235</u>	<u>4,674,325</u>

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

Private	19,924,581	7,266,212	17,244,928	4,654,018
Advances to employees	22,159	22,159	20,307	20,307
	<u>19,946,740</u>	<u>7,288,371</u>	<u>17,265,235</u>	<u>4,674,325</u>

**40.1.11 Geographical segment analysis**

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000 .....			
Pakistan	3,277,159	122,467,960	24,321,467	17,240,753

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000 .....			
Pakistan	2,877,842	117,585,949	21,704,643	18,725,617

**40.2 Market risk management** IRRBB, broken down by currencies (if any, and than translated into Rupees)

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments / placements are being placed in held to maturity securities / investments. Correspondingly, the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

**40.2.1 Foreign exchange risk management**

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

**40.2.2 Equity price risk**

The Bank's proprietary positions in the equity instruments expose it to the equity price risk in banking book. Equity price risk is managed by applying limits. The stress test for equity price risk assesses the impact of fall in stock market index. This exercise is done based on the criteria advised by SBP for Stress Testing on Equities.



## 40.3 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions.

Effective Yield / Interest rate	Exposed to Yield / Interest risk										Not exposed to Yield / Interest risk	
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	3,056,462	-	-	-	-	-	-	-	-	-	-	3,056,462
Balances with other banks	11,176,444	7,051,194	4,091,146	-	-	-	-	-	-	-	-	34,104
Investments - net	11,947,958	3,442,271	4,458,833	-	2,497,652	-	-	-	-	-	-	1,549,202
Advances - net	84,743,706	28,803,624	1,107,291	3,347,168	19,024,822	14,516,193	6,507,397	7,861,972	3,286,898	89,621	-	198,720
Other assets - net	4,739,027	-	-	-	-	-	-	-	-	-	-	4,739,027
	115,663,597	39,297,089	9,657,270	3,347,168	21,522,474	14,516,193	6,507,397	7,861,972	3,286,898	89,621	-	9,577,515
Liabilities												
Bills payable	208,117	-	-	-	-	-	-	-	-	-	-	208,117
Borrowings	51,257,213	22,211,458	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-	-
Deposits and other accounts	8,962,457	2,258,062	-	59,962	168,326	-	53,455	1,581	-	-	-	6,421,071
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	3,204,323	-	-	-
Other liabilities	27,553,345	-	-	-	-	-	-	-	-	-	-	27,553,345
	91,185,455	24,469,520	-	1,768,536	168,326	3,417,148	3,470,603	6,835,876	16,872,913	-	-	34,182,533
On-balance sheet gap	24,478,142	14,827,569	9,657,270	1,578,632	21,354,148	11,099,045	3,036,794	1,026,096	(13,586,015)	89,621	-	(24,605,018)
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	24,478,142	14,827,569	9,657,270	1,578,632	21,354,148	11,099,045	3,036,794	1,026,096	(13,586,015)	89,621	-	(24,605,018)
Cumulative yield / interest risk sensitivity gap	24,478,142	14,827,569	24,484,839	26,063,471	47,417,619	58,516,664	61,553,458	62,579,554	48,993,539	49,083,160	-	24,478,142

## Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000
Total financial assets	115,663,597
Add non-financial assets:	
Investment in subsidiary company	100,000
Operating fixed assets	1,167,167
Deferred tax - net	331,449
Other assets	5,305,747
Total assets as per statement of financial position	122,467,960
Total financial liabilities	91,185,455
Add non-financial liabilities:	
Other liabilities	6,961,038
Total liability as per statement of financial position	98,146,493

## 40.3.1 Mismatch of interest rate sensitive assets and liabilities

2010

Effective Yield/ Interest rate	Total	Exposed to Yield / Interest risk							Not exposed to Yield / Interest risk	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	2,745,611	-	-	-	-	-	-	-	-	2,745,611
Balances with other banks	10,916,739	5,934,271	4,566,189	-	400,000	-	-	-	-	16,279
Investments - net	7,704,207	169,854	610,237	4,334,185	1,564,744	-	-	-	-	1,125,187
Advances - net	84,792,594	12,559,090	6,705,594	17,179,995	17,702,035	7,317,803	6,703,349	8,631,515	6,402,752	586,000
Other assets - net	9,405,548	-	-	-	-	-	-	-	-	9,405,548
	115,664,699	18,663,215	11,882,020	21,514,180	19,666,779	7,317,803	6,703,349	8,631,515	6,402,752	13,878,625
Liabilities										
Bills payable	306,040	-	-	-	-	-	-	-	-	306,040
Borrowings	51,257,213	12,707,695	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818
Deposits and other accounts	9,602,772	627,193	-	285,570	3,377,981	-	-	1,642	-	5,310,386
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	30,940,379	-	-	-	-	-	-	-	-	30,940,379
	95,310,727	13,334,888	-	2,100,955	5,193,366	3,630,770	3,630,770	7,263,182	18,153,850	5,446,141
On-balance sheet gap	20,353,972	5,328,327	11,882,020	19,413,225	14,473,413	3,687,033	3,072,579	1,368,333	(11,751,098)	(4,441,680)
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	20,353,972	5,328,327	11,882,020	19,413,225	14,473,413	3,687,033	3,072,579	1,368,333	(11,751,098)	(4,441,680)
Cumulative yield / interest risk sensitivity gap	20,353,972	5,328,327	17,210,347	36,623,572	51,096,985	54,784,018	57,856,597	59,224,930	47,473,832	43,032,152

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000	Rupees in '000
Total financial assets	115,664,699	95,310,727
Add non-financial assets :		
Investment in subsidiary company	100,000	
Operating fixed assets	1,131,733	
Deferred tax - net	438,660	
Other assets	350,857	
Total assets as per statement of financial position	<u>117,585,949</u>	
Total financial liabilities		
Add non-financial liabilities:		
Other liabilities	570,579	
Total liability as per statement of financial position	<u>95,881,306</u>	

#### 40.4 Liquidity risk

Assets and Liabilities Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly, the yields on fund's placement have been constantly increasing.

##### 40.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2011									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000 .....										
<b>Assets</b>										
Cash and balances with treasury banks	3,056,462	3,056,462	-	-	-	-	-	-	-	-
Balances with other banks	11,176,444	7,085,297	4,091,147	-	-	-	-	-	-	-
Investments - net	12,047,958	3,442,271	4,458,833	-	2,497,652	-	-	-	-	1,649,202
Advances - net	84,743,706	29,002,344	1,107,291	3,347,168	19,024,822	14,516,193	6,507,397	7,861,972	3,286,898	89,621
Other assets - net	9,944,774	1,812,090	2,525,068	1,949,962	2,727,764	319,345	213,994	292,248	49,380	54,923
Deferred tax assets - net	331,449	-	-	-	-	-	-	331,449	-	-
Operating fixed assets	1,167,167	13,883	42,242	42,208	84,417	102,464	97,069	180,012	112,434	492,438
	122,467,960	44,412,347	12,224,581	5,339,338	24,334,655	14,938,002	6,818,460	8,665,681	3,448,712	2,286,184
<b>Liabilities</b>										
Bills payable	208,117	208,117	-	-	-	-	-	-	-	-
Borrowings	51,257,213	22,211,458	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-
Deposits and other accounts	8,962,457	8,679,133	-	59,962	168,326	-	53,455	1,581	-	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	34,514,383	2,881,734	1,174,182	26,697,291	1,441,856	1,280,813	208,829	471,023	231,378	127,277
	98,146,493	33,980,442	1,174,182	28,465,827	1,610,182	4,697,961	3,679,432	7,306,899	17,104,291	127,277
<b>Net assets</b>	24,321,467	10,431,905	11,050,399	(23,126,489)	22,724,473	10,240,041	3,139,028	1,358,782	(13,655,579)	2,158,907
Share capital	12,522,441									
Reserves	2,313,441									
Unappropriated profit	8,171,742									
Surplus on revaluation of assets - net of tax	1,313,843									
	24,321,467									

## 40.4.2 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2010

	Rupees in '000 .....									
	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
<b>Assets</b>										
Cash and balances with treasury banks	2,745,611	2,745,611	-	-	-	-	-	-	-	-
Balances with other banks	10,916,739	5,950,550	4,566,189	-	400,000	-	-	-	-	-
Investments - net	7,804,207	169,854	610,237	4,334,185	1,564,744	-	-	-	-	1,125,187
Advances - net	84,792,594	12,560,691	6,709,444	17,193,325	17,747,556	7,382,417	6,715,785	8,644,688	6,565,760	1,272,928
Other assets - net	9,756,405	608,993	953,901	1,189,420	2,084,561	224,293	232,666	300,022	1,876,339	2,286,210
Deferred tax assets - net	438,660	-	-	-	-	-	-	438,660	-	-
Operating fixed assets	1,131,733	-	-	-	-	-	-	-	-	1,131,733
	117,585,949	22,035,699	12,839,771	22,716,930	21,796,861	7,606,710	6,948,451	9,383,370	8,442,099	5,816,058
<b>Liabilities</b>										
Bills payable	306,040	306,040	-	-	-	-	-	-	-	-
Borrowings	51,257,213	12,707,695	-	1,815,385	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	2,241,818
Deposits and other accounts	9,602,772	5,937,579	-	285,570	3,377,981	-	-	1,642	-	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	-	3,204,323
Other liabilities	31,510,958	1,060,125	84,766	23,012,061	862,539	936,297	203,249	524,271	2,176,154	2,651,496
	95,881,306	20,011,439	84,766	25,113,016	6,055,905	4,567,067	3,834,019	7,787,453	20,330,004	8,097,637
<b>Net assets</b>	21,704,643	2,024,260	12,755,005	(2,396,086)	15,740,956	3,039,643	3,114,432	1,595,917	(11,887,905)	(2,281,579)
Share capital	12,522,441									
Reserves	1,884,411									
Unappropriated profit	6,455,623									
Surplus on revaluation of assets - net of deferred tax	842,168									
	<u>21,704,643</u>									

- 40.5** Operational risk
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.
  - With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.
- 41** DATE OF AUTHORIZATION FOR ISSUE  
These consolidated financial statements were authorized for issue on 8 May 2012 by the Board of Directors of the Bank.
- 42** GENERAL
- 42.1** Comparative information has been re-classified or re-arranged in these financial statements for the purposes of better presentation. Major reclassifications made are as follows:
- Credits relating to employee benefits amounting to Rupees 982.218 million were previously presented as other income. Now, these have been netted off against administrative expenses.
  - Interest accrued on held to maturity investments amounting to Rupees 43.560 million was previously presented under other assets. Now, it has been grouped in held to maturity investments.
- 42.2** The figures in the consolidated financial statements are rounded off to the nearest thousand rupees.

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 ACTING PRESIDENT / CHIEF EXECUTIVE

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 DIRECTOR

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 DIRECTOR

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 DIRECTOR

**“Annexure-I”**  
**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

1	2	3	4	5	6			7			8	9	10	11	12	13
					Principal	Interest	Others	Principal	Interest	Others						
1	MOHAMMAD FAZIL VILLAGE PHERWAL DOLLAL P.O.HAMID JHNGI, GUJER KHAN	MOHAMMAD FAZIL	21049232241	MOHABAT ALI	0.300	0.952	-	1.252	0.300	0.302	-	0.602				
	MST.ZANIB BIBI	MST.ZANIB BIBI	21718261599	MOHABAT ALI												
2	VILLAGE PHERWAL DOLAL, GUJER KHAN	MOHAMMAD SHARIF SHAH	32106649140	SYED ALI SHAH	2.700	7.255	-	9.955	-	4.439	-	4.439				
	ALI COTTON GINNING & PROCESSING FACTORY	S. MOHAMMAD MURAD	3250370061026	SYED ALI SHAH												
	MOUZA DHAMAKI, TEHSIL MAILSI, VEHARI	IRSHAD HUSSAIN	3258610802700	MOHAMMAD ASSAN SHAH												
		ALI SHAH	3251216291600	HOSHIAR ALI												
		SHAH HUSSAIN	3252216291400	ALI SHAH												
3	ABDUL RAUF	ABDUL RAUF	31763368104	MALIK HAMID YAR	-	1.142	-	1.142	-	0.696	-	0.696				
	VILLAGE DOGAR KALASRA, SANAWAN	SYED ISRAR AHMED	51985082614	SYED IQBAL AHMED	0.300	0.290	-	0.590	-	0.590	-	0.590				
4	SYED ISRAR AHMED	SYED ISRAR AHMED	51985082614	SYED IQBAL AHMED	0.300	0.290	-	0.590	-	0.590	-	0.590				
	F S-12/86 JINNAH SQUARE MALIR, GADAP	SABRAR AHMED	4250115586995	S IQBAL AHMED	0.296	0.278	-	0.575	-	0.575	-	0.575				
5	S ABRAR AHMED	SABRAR AHMED	4250115586995	S IQBAL AHMED	0.296	0.278	-	0.575	-	0.575	-	0.575				
	FS 12/92 JINNAH SQUARE MALIR, GADAP	NOOR AHMAD	4110503105265	KHALIFO MOHAMMAD	0.130	1.644	-	1.774	-	1.514	-	1.514				
6	NOOR AHMAD	NOOR AHMAD	4110503105265	KHALIFO MOHAMMAD	0.130	1.644	-	1.774	-	1.514	-	1.514				
	VILLAGE DURMANO, TALHAR	RAB NAWAZ	4130336987113	SAEED AHMED	0.123	0.787	-	0.910	-	0.799	-	0.799				
7	RAB NAWAZ	RAB NAWAZ	4130336987113	SAEED AHMED	0.123	0.787	-	0.910	-	0.799	-	0.799				
	VILLAGE DUZ, TANDO BHAGO	AHSANULLAH	4125823659843	DILAWAR	0.147	1.530	-	1.677	-	1.383	-	1.383				
8	AHSANULLAH	AHSANULLAH	4125823659843	DILAWAR	0.147	1.530	-	1.677	-	1.383	-	1.383				
	VILLAGE POTHO, TANDO BHAGO	HAJI LAL BUX	4110333532515	HAJI JAN MOHAMMAD	0.141	1.228	-	1.369	0.141	1.036	-	1.177				
9	HAJI LAL BUX	HAJI LAL BUX	4110333532515	HAJI JAN MOHAMMAD	0.141	1.228	-	1.369	0.141	1.036	-	1.177				
	VILLAGE KANHERI, TANDO GHULAM ALI	ABDUL KARIM	4349179129165	YAR MUHAMMAD	0.099	0.923	-	1.022	-	0.823	-	0.823				
10	ABDUL KARIM	ABDUL KARIM	4349179129165	YAR MUHAMMAD	0.099	0.923	-	1.022	-	0.823	-	0.823				
	HAKIM ALI	HAKIM ALI	43417129165	BULLO												

..... Rupees in million .....

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11 +12)	
					Principal	Interest	Others					
											Rupees in million .....	
11	VILLAGE KAROOCHO, MORO ABDUL LATIF	ABDUL LATIF	43421105329	WALADINO	0.086	0.883	-	0.969	-	0.793	-	0.793
12	DEH RAJA WAH, DAULAT PUR SAWOR	SAWOR	40452071758	JAMAUHAN	0.087	0.883	-	0.971	-	0.790	-	0.790
13	FATEHKHAN SABHAYO POBAHOO KH, THUL MUHAMMAD AKRAM	MUHAMMAD AKRAM	4410164730449	RAHIM BUX	0.075	0.532	-	0.607	-	0.605	-	0.605
	LIAQUAT ALI	LIAQUAT ALI	4130456685457	RAHIM BUX								
	MOHAMMAD TARIQ	MOHAMMAD TARIQ	47752026221	RAHIM BUX								
14	DEH 154,155,159, DIGRI SAYED QASIM JAN	SAYED QASIM JAN	13726036328	SAYED MOHAMMAD SHAH	0.198	0.333	-	0.531	0.198	0.333	-	0.531
15	GARHI BADSHAH GUL PO REGI, PESHAWAR GULMAST KHAN	GULMAST KHAN	13748031141	AYUB KHAN	0.324	0.276	-	0.600	0.324	0.276	-	0.600
	VILLAGE KHAT KALLAY CHAGHARMATTI, PESHAWAR											
16	MUHAMMAD JABEEN KHAN VILLAGE CHAGHARMATTI PESHAWAR	MUHAMMAD JABEEN KHAN	1730184791673	MUHAMMAD AYUB KHAN	0.450	0.276	-	0.726	0.450	0.276	-	0.726
17	SARANJAAM KHAN VILLAGE CHAGHAR MATTI, PESHAWAR	SARANJAAM KHAN	1730152819573	MUHAMMAD NAWAZ KHAN	0.450	0.168	-	0.618	0.450	0.168	-	0.618
18	FAIZ TALIB VILLAGE CHUGHAR MATTI PESHAWAR	FAIZ TALIB	1730108647297	MUHAMMAD NAWAZ	0.450	0.167	-	0.617	0.450	0.167	-	0.617
19	AFTAB KHAN VILLAGE NISATA BALA P/O CHARPARIZA, PESHAWAR	AFTAB KHAN	1730101620456	UBIDULLAH KHAN	0.400	0.135	-	0.535	0.400	0.135	-	0.535
20	ASADULLAH KHAN VILLAGE NISATA BALA P/O CHARPARIZA, PESHAWAR	ASADULLAH KHAN	1730166735273	UBAIDULLAH KHAN	0.450	0.160	-	0.610	0.450	0.160	-	0.610
21	SAADAT KHAN VILLAGE LAKARI KANIZA PESHAWAR	SAADAT KHAN	1730144816549	SUHBAT KHAN	0.400	0.161	-	0.561	0.400	0.161	-	0.561
22	MUHAMMAD ISRAR KHAN	MUHAMMAD ISRAR KHAN	1730159199587	GHULAM RASOOL KHAN	0.499	0.072	-	0.571	0.499	0.072	-	0.571

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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11 +12)	
					Principal	Interest	Others					Total
	..... Rupees in million .....											
	VILLAGE ZOORMANDI P/O NAHAQI, PE-SHAWAR											
23	GHULAM SARWAR	GHULAM SARWAR	1730113762895	GHULAM RASOOL	0.498	0.174	-	0.672	0.498	0.174	-	0.672
	ZORMANDI NAHAQI PESHAWAR											
24	SABAZ ALI	SABAZ ALI	1730174613521	M.AMIN KHAN	0.453	0.173	-	0.626	0.453	0.173	-	0.626
	QURBAN ALI	QURBAN ALI	1730137738929	M.AMIN KHAN								
25	GULABAD P/O CHARPREZA, PESHAWAR											
	ZAHOOR AHMAD	ZAHOOR AHMAD	1730151614907	SHER MOHAMMAD	0.445	0.166	-	0.611	0.445	0.166	-	0.611
	UZAIR AHMAD	UZAIR AHMAD	1730120980099	SHER MOHAMMAD								
	VILLAGE CHAGHARMAHI PESHAWAR											
26	RAHMAT ALI KHAN	RAHMAT ALI KHAN	11464280457	JEHANGIR KHAN	0.084	0.703	-	0.788	-	0.661	-	0.661
	BARA BANDAIO P/TEH. KB ABAL SWAT											
27	ABDUL MANAF	ABDUL MANAF	10923099460	ABDUL LATIF	0.100	1.138	-	1.238	-	1.019	-	1.019
	VILLAGE KOTIGRAM, CHAKDARA											
28	HAJI MOHAMMAD ZAMAN	HAJI MOHAMMAD ZAMAN	21234215967	H.NOOR ZAMAN	0.240	0.269	-	0.508	0.240	0.269	-	0.508
	MEHRIN DERBAND H.NO.N.E./153, Oghi											
29	YASEEN	YASEEN	12694059667	KALIA	0.313	0.219	-	0.532	0.313	0.192	-	0.505
	WASEEM KHAN	WASEEM KHAN	12653027023	KHANZAMAN								
	FAZAL HAQUE	FAZAL HAQUE	12657018065	ABDULWADOOD								
	VILLAGE SEORAJKA DASU											
30	AWRANGZEB	AWRANGZEB	12351008214	MOHAMMAD HAYAT KHAN	0.157	0.402	-	0.559	0.157	0.402	-	0.559
	VILLAGE KARI, MANSEHRA											
31	TASLIM KHAN	TASLIM KHAN	12358572625	WALI MOHAMMAD	0.169	0.447	-	0.616	0.169	0.447	-	0.616
	VILLAGE KARI, MANSEHRA											
32	JEHANZEB KHAN	JEHANZEB KHAN	12344162599	MUHAMMAD YOUSAF KHAN	0.200	0.435	-	0.635	0.200	0.435	-	0.635
	SAFFIA JAN	SAFFIA JAN	12349162600	ABDUL LATIF								
	VILLAGE SACCHA KALAN, MANSEHRA											



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Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total 10+11 +12)
					Principal	Interest	Others	Total				
..... Rupees in million .....												
33	SOLAKHIN VILLAGE SANDA SAR, MANSEHRA	SOLAKHIN	12387664983	YAQOOB	0.229	0.426	-	0.655	0.229	0.426	-	0.655
34	MUHAMMAD RAFAOAT MUHAMMAD SIRAJ VILLAGE SHAH KHAL GARHI, MANSEHRA	MUHAMMAD RAFAOAT MUHAMMAD SIRAJ	12386649900 12388383915	MUHAMMAD AYUB KHAN MUHAMMAD AYUB KHAN	0.217	0.489	-	0.706	0.217	0.489	-	0.706
35	MUHAMMAD MAJID MAFIER ANGAZ VILLAGE DHODIAL, MANSEHRA	MUHAMMAD MAJID MAFIER ANGAZ	12388325606 12385325602	MASOOD UR REHMAN MASOOD UR REHMAN	0.410	0.479	-	0.889	0.410	0.479	-	0.889
36	M.ARIF BADER NISAH VILLAGE DHODIAL, MANSEHRA	M.ARIF BADER NISAH	12385325604 12327305731	MASOOD UR REHMAN SULTAN MUHAMMAD KHAN	0.375	0.358	-	0.733	0.375	0.358	-	0.733
37	AURANG ZEB KHAN VILLAGE TULIHALA, MANSEHRA	AURANG ZEB KHAN	12327144821	PIR MUHAMMAD KHAN	0.200	0.335	-	0.535	0.200	0.335	-	0.535
38	HABIB KHAN VILLAGE LONDA MORDAFAKALAN, MANSEHRA	HABIB KHAN	12340284336	SAKINDER KHAN	0.488	0.919	-	1.408	0.488	0.919	-	1.408
39	HAYAT ALI KHAN VILLAGE HILKOT, MANSEHRA	HAYAT ALI KHAN	12151570495	JUMA KHAN	0.229	0.366	-	0.595	0.229	0.366	-	0.595
40	M. SOHAIL ZEB VILLAGE BEDRA, MANSEHRA	M. SOHAIL ZEB	12286025335	AURANGZEB KHAN	0.342	0.180	-	0.522	0.342	0.180	-	0.522
41	HAJI HAKIM KHAN VILLAGE DHANGRI, MANSEHRA	HAJI HAKIM KHAN	12132367076	ABDUL GHANI KHAN	0.940	0.695	-	1.635	0.940	0.695	-	1.635
42	M. HUMAYOON KHAN VILLAGE BABRAL, MANSEHRA	M. HUMAYOON KHAN	12329182961	AHMED KHAN	0.579	0.505	-	1.084	0.579	0.505	-	1.084
43	ASHAIQ HUSSAIN VILLAGE BABRAL PO-TATARA, MANSEHRA	ASHAIQ HUSSAIN	12391492265	AURANGZEB KHAN	0.463	0.578	-	1.041	0.463	0.578	-	1.041
44	WAQAR AHMED KHAN VILLAGE KHUWAGAN, MANSEHRA	WAQAR AHMED KHAN	1230630566343	MISKIN KHAN	0.279	0.239	-	0.519	0.279	0.239	-	0.519

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**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Interest charged off	Principal charged off	Other financial relief / waiver provided	Total 10+11 +12)
					Principal	Interest	Others	Total				
45	SHIREEN JAN VILLAGE KHUWAJGAN, MANSEHRA	SHIREEN JAN	12358531446	MISKEEN KHAN	0.405	0.280	-	0.685	0.405	0.280	-	0.685
46	NOOR MOHAMMAD VILLAGE KHAWAJGAN, MANSEHRA	NOOR MOHAMMAD	12388141721	KHUSHAL KHAN	0.552	0.235	-	0.787	0.552	0.235	-	0.787
47	NISAR AHMED VILLAGE BABRAL, MANSEHRA	NISAR AHMED	12362477882	M. HUMAYOON KHAN	0.700	0.741	-	1.441	0.700	0.741	-	1.441
48	M. ALI VILLAGE HALKOT, MANSEHRA	M. ALI	21085351042	JUMMA KHAN	0.331	0.284	-	0.615	0.331	0.284	-	0.615
49	MALIK ZAFAR VILLAGE GHAZIKOT, MANSEHRA	MALIK ZAFAR	12392043734	MALIK AKRAM	0.446	0.203	-	0.649	0.446	0.203	-	0.649
50	MUHAMMAD ASSAD KHAN VILLAGE BATTAL MSA, MANSEHRA	MUHAMMAD ASSAD KHAN	12389059961	MUHAMMAD AKRAM KHAN	0.350	0.472	-	0.822	0.350	0.472	-	0.822
51	BADRI ZAMAN VILLAGE DARA SHAH, MANSEHRA	BADRI ZAMAN	12350097248	SUMANDER KHAN	0.390	0.225	-	0.615	0.390	0.225	-	0.615
52	KHURSHID ALAM KHAN VILLAGE BAIDRA, MANSHRA	KHURSHID ALAM KHAN	12350023891	MUHAMMAD AKBER KHAN	0.700	0.655	-	1.356	0.700	0.655	-	1.356
53	MUHAMMAD WAHEED VILLAGE GHAZI KOT, MANSEHRA	MUHAMMAD WAHEED	12362043737	MUHAMMAD AKRAM KHAN	0.700	0.909	-	1.609	0.700	0.909	-	1.609
54	SHER AFZAL KHAN VILLAGE BABRAL, MANSEHRA	SHER AFZAL KHAN	12388588474	MUHAMMAD AKRAM KHAN	0.475	0.267	-	0.742	0.475	0.267	-	0.742
55	ALI MUHAMMAD KHAN VILLAGE KOTLI PAEEN, MANSEHRA	ALI MUHAMMAD KHAN	12354109846	MUHAMMAD SHARIF	0.412	0.295	-	0.707	0.412	0.295	-	0.707
56	ABDUL RAZZAQ VILLAGE GAZIKOT MANSEHRA	ABDUL RAZZAQ	12360333574	NOOR AHMAD	0.700	0.735	-	1.435	0.700	0.735	-	1.435
57	MST. ISHRAT IQABAL VILLAGE MOH-NOGAZI, MANSEHRA	MST. ISHRAT IQABAL	12390328766	ALAM ZEB	0.690	0.642	-	1.332	0.690	0.642	-	1.332
58	SHAHID SHAHEEN VILLAGE MOH-NOGAZI, MANSEHRA	SHAHID SHAHEEN	12176591651	AQIL AHMED	0.700	0.783	-	1.483	0.700	0.783	-	1.483
59	FEHMIDA BEGUM VILLAGE MOH-NOGAZI, MANSEHRA	FEHMIDA BEGUM	12156021107	FIDA MUHAMMAD KHAN	0.683	0.431	-	1.114	0.683	0.431	-	1.114

..... Rupees in million .....

**ZARAI TARAQIATI BANK LIMITED**  
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**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2011**

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Interest charged off	Other financial relief / waiver provided	Total 10+11 +12)		
					Principal	Interest	Others					
					Rupees in million							
60	KATCHERY ROAD, MANSEHRA SOFI MEHMOOD KHAN VILLAGE BATTAL, MANSEHRA	SOFI MEHMOOD KHAN	12324059651	SADAT KHAN	0.318	0.306	-	0.624	0.318	0.306	-	0.624
61	MUHAMMAD SAFDAR KHAN VILLAGE BATTAL, MANSEHRA	MUHAMMAD SAFDAR KHAN	12385059960	AKRAM KHAN	0.354	0.303	-	0.657	0.354	0.303	-	0.657
62	SHAFAT ALI KHAN VILLAGE BATTAL, MANSEHRA	SHAFAT ALI KHAN	12375106128	MUZAFFAR KHAN	0.442	0.290	-	0.732	0.442	0.290	-	0.732
63	BADSHA GUL VILLAGE HILKOT BATTAL, MANSEHRA	BADSHA GUL	12393098807	MASOOD KHAN	0.450	0.364	-	0.814	0.450	0.364	-	0.814
64	ALLAM ZAIB KHAN VILLAGE BATTAL, MANSEHRA	ALLAM ZAIB KHAN	12385201230	GHULAM HAIDER KHAN	0.406	0.228	-	0.634	0.406	0.228	-	0.634
65	NIAMAT ALI KHAN VILLAGE HILKOTE, MANSEHRA	NIAMAT ALI KHAN	12357098869	M MASOOD KHAN	0.300	0.236	-	0.536	0.300	0.236	-	0.536
66	ALAMGIR KHAN VILLAGE BATTAL, MANSEHRA	ALAMGIR KHAN	12338109308	ABDUL RAUF KHAN	0.450	0.363	-	0.813	0.450	0.342	-	0.792
67	RAZAULLAH KHAN VILLAGE BATTAL, MANSEHRA	RAZAULLAH KHAN	12393000545	ATTAULLAH KHAN	0.490	0.275	-	0.765	0.490	0.275	-	0.765
70	MST. SIDRA VILLAGE GHAZI KOT, MANSEHRA	MST. SIDRA	12392627114	MUHAMMAD JAN	0.498	0.417	-	0.915	0.498	0.358	-	0.856
71	QAZI MUHAMMAD IMDAD VILLAGE QAZIABAD BATTAL, MANSEHRA	QAZI MUHAMMAD IMDAD	12356427343	QAZI ABDUL KAFIL	0.380	0.227	-	0.607	0.380	0.209	-	0.589
72	MISSIL KHAN VILLAGE SHARKOOL CHATTAR PLAIN, MANSEHRA	MISSIL KHAN	1350306392553	GHULAM QADIR	0.415	0.178	-	0.593	0.415	0.159	-	0.574
73	ZAHID HUSSAIN SHAH VILLAGE SINGLE KOT, MANSEHRA	ZAHID HUSSAIN SHAH	1350310218535	ABDUL ABDUL QADAR SHAH	0.500	0.164	-	0.664	0.500	0.059	-	0.559
74	SYED HABIB SHAH VILLAGE LANDI KASS PO-KUZABANDA BATTAGRAM	SYED HABIB SHAH	12439021324	SYED FAROOQ SHAH	0.482	0.496	-	0.978	0.482	0.496	-	0.978

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					Principal	Interest	Others	Total				
..... Rupees in million .....												
77	RAHIM DAD KHAN VILLAGE & P O BATTAGRAM	RAHIM DAD KHAN	12462198929	BEHRAM KHAN	0.295	0.324	-	0.619	0.295	0.324	-	0.619
78	MUZAMIL KHAN SHINGLI BALA PO-PESHOWRA, BATTAGRAM	MUZAMIL KHAN	12457123838	JEHANGIR KHAN	0.392	0.221	-	0.613	0.392	0.221	-	0.613
79	MIR SAMAD KHAN VILLAGE RASHANG, BATTAGRAM	MIR SAMAD KHAN	12456005203	DOSHAM KHAN	0.370	0.199	-	0.569	0.370	0.197	-	0.567
80	MUHAMMAD ISMAEEL VILLAGE BANSAIR, BATTAGRAM	MUHAMMAD ISMAEEL	1320223619471	HAJI ABDUL LATIF	0.400	0.174	-	0.574	0.400	0.155	-	0.555
81	SYED ABBAS SHAH VILLAGE KAWAI TEH-BALAKOT	SYED ABBAS SHAH	12338352472	S. GHULAM AHMAD SHAH	0.400	0.410	-	0.809	0.400	0.410	-	0.809
82	SYED ZULFIQAR ALI ABBAS SYED IFTIKHAR ALI SHAH JUNAID ALI QASIM VILLAGE KAWAI TEH, BALAKOT	SYED ZULFIQAR ALI ABBAS SYED IFTIKHAR ALI SHAH JUNAID ALI QASIM	12389549526 12390549527 12389639701	SYED ABBASS SHAH SYED ABBASS SHAH SYED QASIM SHAH	2.580	2.068	-	4.648	2.580	2.068	-	4.648
83	MUHAMMAD FARIDOON KHAN VILLAGE BHOONJA, BALAKOT	MUHAMMAD FARIDOON KHAN	12342045121	MUHAMMAD YAQOOB KHAN	0.443	0.217	-	0.660	0.443	0.217	-	0.660
84	AQEEM UN NISA VILLAGE KAGHAN, BALAKOT	AQEEM UN NISA	12388484819	HAYAT SHAH	0.455	0.394	-	0.849	0.455	0.394	-	0.849
85	MAZAR ALI QASIM VILLAGE KAWAI, BALAKOT	MAZAR ALI QASIM	12376757736	QASIM SHAH	0.300	0.242	-	0.542	0.300	0.242	-	0.542
86	SYED AKHTAR HUSSAIN SHAH VILLAGE BELA SACHA PARAS, BALAKOT	SYED AKHTAR HUSSAIN SHAH	12391127756	SYED MUZAMMAL SHAH	0.434	0.321	-	0.755	0.434	0.321	-	0.755
87	ARSHAD HUSSAH SHAH	ARSHAD HUSSAH SHAH	12371127758	MUZAMMAL SHAH	0.400	0.288	-	0.688	0.400	0.288	-	0.688
					<b>35.705</b>	<b>45.631</b>	<b>-</b>	<b>81.336</b>	<b>31.477</b>	<b>41.217</b>	<b>-</b>	<b>72.694</b>



STATISTICAL  
**ANNEX**

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## Annex 1

## SELECTED FINANCIAL AND STATISTICAL INDICATORS

( RUPEES MILLION )

SR. NO.	DESCRIPTION	2007	2008	2009	2010	2011
<b>DURING THE YEAR</b>						
1	AGRICULTURAL CREDIT DISBURSED	55912	70698	77680	69561	65452
2	LOANS TO SUBSISTENCE FARMERS	34715	45822	52089	47135	44606
3	2 AS %AGE OF 1	62%	65%	67%	68%	68%
4	LOANS TO SMALL FARMERS ( UPTO 25.0 ACRES )	47123	61105	67992	61174	58066
5	4 AS %AGE OF 1	84%	86%	88%	88%	89%
6	FINANCING OF TRACTORS					
	- NUMBER	10275	16143	24596	13321	908
	- AMOUNT	3478	5741	9995	6270	431
7	6 AS %AGE OF 1	6%	8%	13%	9%	1%
8	AGRICULTURAL CREDIT RECOVERY	58080	65937	69549	71936	72422
9	CUMMULATIVE RECOVERY (%)	97%	98%	99%	99%	99%
10	TOTAL INCOME	12756	14263	15165	13248	12581
11	TOTAL EXPENDITURE	10972	10275	11.661	10370	9303
12	PROFIT BEFORE TAXATION	1784	3988	3373	2878	3277
<b>AT THE END OF THE YEAR</b>						
1	TOTAL ASSETS	93386	102341	112619	117586	122468
2	LOAN PORTFOLIO ( NET )	61313	69923	81974	84793	84744
3	NUMBER OF ZONAL OFFICES	25	25	26	27	31
4	NUMBER OF BRANCHES	342	342	347	355	359
5	NUMBER OF MCO's	1269	1243	1212	1362	1277
6	NUMBER OF STAFF	5333	5286	5274	5494	5789

**LOANS DISBURSED SINCE INCEPTION: AREA-WISE  
UPTO 31.12.2011**

( RUPEES MILLION )

<b>SR. NO.</b>	<b>PROVINCE/ AREA</b>	<b>AMOUNT DISBURSED</b>	<b>SHARE (%)</b>
1	PUNJAB	588167.982	76.9
2	SINDH	116791.797	15.3
3	KHYBER PAKHTUN KHWA	44472.379	5.8
4	BALUCHISTAN	9435.026	1.2
5	AZAD KASHMIR	3026.646	0.4
6	GILGIT/BALTISTAN	2870.129	0.4
	<b>TOTAL</b>	<b>764763.959</b>	<b>100.0</b>



## Annex 2.2

**LOANS DISBURSED : AREA-WISE  
DURING 01-01-2011 TO 31-12-2011**

( RUPEES MILLION )

<b>SR. NO.</b>	<b>PROVINCE/ AREA</b>	<b>NUMBER OF BORROWERS</b>	<b>AMOUNT DISBURSED</b>	<b>Share (%)</b>
1	PUNJAB	369834	53597.048	81.9
2	SINDH	34742	7588.978	11.6
3	KHYBER PAKHTUN KHWA	21037	3750.288	5.7
4	BALUCHISTAN	541	106.829	0.2
5	AZAD KASHMIR	5959	229.278	0.3
6	GILGIT/BALTISTAN	721	179.367	0.3
	<b>TOTAL</b>	<b>432834</b>	<b>65451.788</b>	<b>100.0</b>

**TERM-WISE COMPOSITION OF LOANS DISBURSED  
DURING 01-01-2011 TO 31-12-2011**

( RUPEES MILLION )

SR. NO.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT
1	PUNJAB	332429	47832.262	33095	4628.626	4310	1136.160	369834	53597.048
2	SINDH	30542	6836.715	3797	596.409	403	155.854	34742	7588.978
3	KHYBER PAKHTUN KHWA	15733	3195.274	5207	507.611	97	47.403	21037	3750.288
4	BALUCHISTAN	414	71.354	27	2.544	100	32.931	541	106.829
5	AZAD KASHMIR	5300	188.027	655	40.484	4	0.767	5959	229.278
6	GILGIT/BALTISTAN	356	143.382	361	33.586	4	2.399	721	179.367
<b>TOTAL</b>		<b>384774</b>	<b>58267.014</b>	<b>43142</b>	<b>5809.260</b>	<b>4918</b>	<b>1375.514</b>	<b>432834</b>	<b>65451.788</b>

## Annex 2.4

**LOANS DISBURSED: SECURITY - WISE  
DURING 01.01.2011 TO 31.12.2011**

( RUPEES MILLION )

<b>SR. NO.</b>	<b>PARTICULARS</b>	<b>NUMBER OF BORROWERS</b>	<b>AMOUNT DISBURSED</b>	<b>Share (%)</b>
1	SECURED LOANS	425387	64780.323	99.0
2	HYPOTHECATION LOANS	174	21.453	0.0
3	PERSONAL SURETY LOANS	4837	98.168	0.2
4	OTHER SECURITY	2436	551.844	0.8
	<b>TOTAL</b>	<b>432834</b>	<b>65451.788</b>	<b>100.0</b>

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED  
SINCE INCEPTION UPTO 31-12-2011**

( RUPEES MILLION )

YEAR	ANNUAL CREDIT DISBURSEMENT	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since inception upto 30-06-1971	780.798	15043	295.372	18757	213.849
FY' 1972	80.000	1906	37.410	1790	18.412
FY' 1973	169.100	1679	43.654	2389	26.415
FY' 1974	415.570	1997	74.500	2922	45.000
FY' 1975	396.310	3122	131.600	3566	74.500
FY' 1976	532.850	6043	348.200	2357	47.600
FY' 1977	638.770	5888	319.200	1364	25.700
FY' 1978	430.530	5768	324.050	580	10.793
FY' 1979	416.937	6003	310.200	543	10.100
FY' 1980	711.550	8661	468.900	425	9.300
FY' 1981	1066.619	10111	636.560	562	13.646
FY' 1982	1557.386	12359	880.198	745	20.576
FY' 1983	2310.435	17497	1459.256	1246	38.109
FY' 1984	3131.676	22766	2028.706	1623	57.938
FY' 1985	4167.908	25500	2305.668	2548	67.424
FY' 1986	5307.867	20603	1955.257	4260	196.697
FY' 1987	6031.152	23648	2621.911	4621	220.835
FY' 1988	7716.078	20288	2650.555	6743	392.196
FY' 1989	8667.523	19725	2898.750	6632	476.667
FY' 1990	9389.861	20290	3465.396	5898	487.010
FY' 1991	8323.947	12468	2650.302	5388	564.277
FY' 1992	6996.426	8823	1742.676	3281	304.834
FY' 1993	8643.408	16574	3548.008	2528	252.005
FY' 1994	8989.252	17127	4071.548	2403	294.128
FY' 1995	14575.735	22002	5029.803	4920	693.707
FY' 1996	10339.274	15968	3261.605	1680	173.336
FY' 1997	11687.112	10701	3195.652	2300	385.586
FY' 1998	22362.983	13630	4286.009	3869	857.677
FY' 1999	30175.960	16951	4509.982	6998	1436.177
FY' 2000	24423.889	21515	5743.598	4735	830.894
FY' 2001	27610.229	18909	5119.122	8991	1648.100
FY' 2002	29108.015	12744	3501.149	7894	1335.733
01-07-2002 to 13-12-2002	10426.734	3660	1011.927	2955	384.419
14-12-2002 to 31-12-2003	32286.990	10679	2799.972	5100	1016.363
CY' 2004	33714.580	7848	1952.655	4369	845.424
CY' 2005	39356.053	10807	2893.575	3895	703.891
CY' 2006	52520.505	9052	2512.927	1918	292.898
CY' 2007	55912.018	10275	3478.103	1218	178.114
CY' 2008	70698.335	16143	5741.191	1941	340.850
CY' 2009	77680.431	24596	9994.861	1917	360.733
CY' 2010	69561.375	13321	6269.645	1839	397.014
CY' 2011	65451.788	908	431.248	1745	476.253
<b>TOTAL</b>	<b>764763.959</b>	<b>543598</b>	<b>107000.901</b>	<b>151455</b>	<b>16225.180</b>

## Annex 2.6

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES  
DURING 01-01-2011 TO 31-12-2011**

( RUPEES MILLION )

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<b>I. DEVELOPMENT LOANS</b>	<b><u>48060</u></b>	<b><u>7184.774</u></b>	<b><u>11.0</u></b>
1 TRACTORS	1038	431.248	0.7
2 DAIRY FARMING	36514	5092.840	7.8
3 FARM EQUIPMENT	1074	193.278	0.3
4 TUBEWELLS	1856	476.253	0.7
5 LIVESTOCK	3693	385.577	0.6
6 POULTRY FARMING	16	5.465	0.0
7 ORCHARDS	923	221.347	0.3
8 LAND DEVELOPMENT	213	18.346	0.0
9 FISHERIES	7	1.332	0.0
10 FARM TRANSPORTATION	0	0.138	0.0
11 GODOWN/ COLD STORAGE	800	200.030	0.3
12 OTHERS	1926	158.920	0.3
<b>II. PRODUCTION LOANS</b>	<b><u>384774</u></b>	<b><u>58267.014</u></b>	<b><u>89.0</u></b>
1 FERTILIZER	184692	27968.167	42.7
2 PESTICIDES	73107	11070.733	16.9
3 SEEDS	107737	16314.764	24.9
4 LABOUR HIRE/ OTHER CHARGES	13	0.188	0.0
5 WORKING CAPITAL FOR POULTRY	1227	151.446	0.2
6 WORKING CAPITAL FOR DAIRY	2764	429.912	0.7
WORKING CAPITAL FOR LIVESTOCK	285	53.047	0.1
8 WORKING CAPITAL FOR FISHERIES	6	1.295	0.0
9 OTHERS	14943	2277.462	3.5
<b>TOTAL</b>	<b><u>432834</u></b>	<b><u>65451.788</u></b>	<b><u>100.0</u></b>

## Annex 2.7

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN  
DURING 01-01-2011 TO 31-12-2011**

( RUPEES MILLION )

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	20926	4.9	390.818	0.6
RS.25001 TO 50000/-	63217	14.6	2409.632	3.7
<b>RS.50001 TO 100000/-</b>	<b>132887</b>	<b>30.7</b>	<b>10065.064</b>	<b>15.4</b>
RS.100001 TO 200000/-	111809	25.8	15453.776	23.6
RS.200001 TO 500000/-	93061	21.5	28388.516	43.4
RS.500001 TO 1000000/-	9250	2.1	6178.241	9.4
OVER 1000000/-	1684	0.4	2565.741	3.9
<b>TOTAL</b>	<b>432834</b>	<b>100.0</b>	<b>65451.788</b>	<b>100.0</b>

## Annex 2.8

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING  
DURING 01-01-2011 TO 31-12-2011**

( RUPEES MILLION )

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	4226	1.0	233.476	0.4
B. OWNERS				
UNDER 5.1 HECTARES ( UNDER 12.5 ACRES )	350234	80.9	43473.712	66.4
5.1 TO UNDER 6.5 HECTARES ( 12.5 TO UNDER 16 ACRES )	25023	5.8	5776.626	8.8
6.5 TO UNDER 10.1 HECTARES ( 16 TO UNDER 25 ACRES )	27984	6.5	8582.649	13.1
10.1 TO UNDER 13 HECTARES ( 25 TO UNDER 32 ACRES )	7874	1.8	2454.058	3.8
13 TO UNDER 20.2 HECTARES ( 32 TO UNDER 50 ACRES )	8642	2.0	2686.858	4.1
20.2 TO UNDER 26 HECTARES ( 50 TO UNDER 64 ACRES )	2841	0.6	723.560	1.1
26 HECTARES & ABOVE ( 64 ACRES & ABOVE )	6010	1.4	1520.849	2.3
<b>TOTAL</b>	<b>432834</b>	<b>100.0</b>	<b>65451.788</b>	<b>100.0</b>

## Annex 3.1

**RECOVERY POSITION  
DURING 01-01-2011 TO 31-12-2011**

( RUPEES MILLION )

SR. NO.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	65232.158	60192.192	92.3
2	SINDH	9733.843	7635.174	78.4
3	KHYBER PAKHTUN KHWA	4578.576	4036.650	88.2
4	BALUCHISTAN	176.978	122.892	69.4
5	AZAD KASHMIR	260.767	258.182	99.0
6	GILGIT/BALTISTAN	213.132	176.928	83.0
<b>TOTAL</b>		<b>80195.454</b>	<b>72422.018</b>	<b>90.3</b>

**CUMMULATIVE RECOVERY SINCE INCEPTION  
UPTO 31.12.2011**

( RUPEES MILLION )

<b>SR. NO.</b>	<b>PROVINCE / AREA</b>	<b>TOTAL RECOVERABLE</b>	<b>TOTAL RECOVERY</b>	<b>PAST DUES AS ON 31-12-2011</b>	<b>RECOVERY RATE (%)</b>
1	PUNJAB	602197.486	597157.520	5039.966	99.2
2	SINDH	114970.490	112871.821	2098.669	98.2
3	KHYBER PAKHTUN KHWA	45802.072	45260.146	541.926	98.8
4	BALUCHISTAN	7087.413	7033.327	54.086	99.2
5	AZAD KASHMIR	2801.011	2798.426	2.585	99.9
6	GILGIT/BALISTAN	2740.849	2704.645	36.204	98.7
	<b>TOTAL</b>	<b>775599.321</b>	<b>767825.885</b>	<b>7773.436</b>	<b>99.0</b>



## Annex 4

## STAFF POSITION

( NUMBERS )

YEAR	OFFICERS	STAFF	TOTAL	M.C.O.'s
FY' 1990	4614	4035	8649	1487
FY' 1991	4781	3963	8744	1434
FY' 1992	4842	3816	8658	1454
FY' 1993	5046	3621	8667	1521
FY' 1994	5035	3369	8404	1432
FY' 1995	5035	3576	8611	1376
FY' 1996	5443	3383	8826	1441
FY' 1997	5347	3830	9177	1441
FY' 1998	4535	3368	7903	1449
FY' 1999	4608	3183	7791	1463
FY' 2000	4586	3196	7782	1459
FY' 2001	4563	3177	7740	1465
FY' 2002	4515	3150	7665	1496
CY' 2003	3711	2027	5738	1363
CY' 2004	3657	1934	5591	1328
CY' 2005	3609	1934	5543	1311
CY' 2006	3485	1841	5326	1258
CY' 2007	3629	1704	5333	1269
CY' 2008	3651	1635	5286	1243
CY' 2009	3709	1565	5274	1212
CY' 2010	3930	1564	5494	1362
CY' 2011	4145	1644	5789	1277

**NETWORK OF FIELD OFFICES  
AS ON 31.12.2011**

( NUMBERS )

SR.NO.	PROVINCE / AREA	ZONAL OFFICES	BRANCHES
1	PUNJAB	16	171
2	SINDH	6	88
3	KHYBER PAKHTUN KHWA	4	50
4	BALUCHISTAN	3	33
5	AZAD KASHMIR	1	10
6	GILGIT/BALTISTAN	1	7
<b>TOTAL</b>		<b>31</b>	<b>359</b>