

# ANNUAL REPORT 2012

ZARAI TARAQIATI BANK LIMITED



**ZTBL**





# 2012 ANNUAL REPORT

ZARAI TARAQIATI BANK LIMITED





**ZTBL Headquarter**





**Mr. Ihsan-ul-Haq Khan**

President & CEO

# TABLE OF CONTENTS

<b>Directors' Review</b>	13
Economic Review	13
Agriculture Sector	13
Flood Impact Assessment	14
Operational Review of the Bank	14
Disbursement	14
Year-wise Disbursements	14
Recovery Operation	14
Year-wise Recovery	15
Brief on Performance/Achievement during 2012	15
Human Resource Development	15
Outreach/Business Expansion	15
Reduction in NPLs	15
Technology Dissemination	15
IT Up-gradation	16
Financial Performance of the Bank	17
State Bank of Pakistan (SBP) Debt Pricing	17
Risk Management Framework	17
Risk Management Policy and Charter	17
Corporate Social Responsibility	18
Future Outlook	18
IT Infrastructure Development and Automation Projects	18
Corporate and Financial Reporting Framework	19
Statement of Internal Control	19
Board Meetings	20
Annual General Meeting	21
Corporate Information	22
Shareholding of ZTBL	23
Highlights of ZTBL Operations	24
Board Sub-Committees	25
Statement of compliances with the code of corporate governance for the year endd December 31, 2012	26
<b>Review of Operations</b>	29
1. Overall Credit Disbursement	30
1.1 Purpose-wise Disbursement of Loans	30
1.2 Province-wise Disbursement of Loans	31
1.3 Term-wise Loan Disbursement	31
1.4 Loans to Subsistence and Small Farmers	31
1.5 Holding-Wise Disbursement of Loans	31



1.6	Size-Wise Composition of Loans	32
1.7	Security-Wise Disbursement of Loans	32
1.8	Zarkhaiz/Awami Scheme (One Window Operation)	32
1.9	Sada Bahar Scheme	32
2.	Recovery Operation	32
2.1	Reduction In NPLS	32
2.2	Sam Recovery	33
3.	Credit Operations	33
3.1	Review Of Credit Policy & Credit Manual	33
3.2	Changes In Legal Documents Of Loan Cases	33
4.	New Initiative / Schemes	33
4.1	Kissan Dost Scheme (KOS)	33
4.2	Special Schemes For Gilgit-Baltistan	33
4.3	Special Product Milk Chilling Units	34
4.4	Agri. Re-Financing Scheme	34
4.5	Khawateen Rozgar Scheme	34
4.6	Asan Qarza Scheme	34
4.7	Tawani Bachat Scheme (Bio Gas Unit)	35
4.8	Shamsi Tawanai Scheme	35
5.	Expansion Of Outreach/Business	35
6.	Human Resoruce Development	36
7.	Technology Dissemination	36
8.	Credit Admisnistration	37
8.1	Risk Management	37
9.	Insternal Audit	37
9.1	Management Audit	37
9.2	Field Audit	38
10.	Complaiance Programme	38
11.	IT Up –Gradation	38
	<b>Kissan Support Services</b>	<b>37</b>
	<b>Unconsolidated Accounts</b>	<b>43</b>
	<b>Consolidated Accounts</b>	<b>109</b>
	<b>Statistical Annex</b>	<b>173</b>



## VISION



**De**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. Sultan Ali Chaudhry  
Chairman



Mr. Ihsan-ul-Haq Khan  
President & CEO



Dr. Amir Muhammad  
Director



Mr. Zafar Iqbal  
Director



Mr. M. Yaqoob Vardag  
Director



Mr. Mahmood Nawaz Shah  
Director





Mr. Muhammad Zaka Ashraf  
Director



Mr. M. Iftikhar Khan Mohmand  
Director



Mr. Abdul Wajid Arain  
Director



Dr. Khalid Ahmad Khokhar  
Director



Mr. Muazam Ali  
Company Secretary





DIRECTORS'  
REVIEW







## DIRECTORS' REVIEW

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, 2012.

### **Economic Review**

Despite numerous internal and external challenges, the economy performed better in 2011-12 than many developed and developing economies. Domestically, economy was struck by heavy rains in Sindh and parts of Balochistan costing \$ 3.7 billion. Not with standing these challenges, the Gross Domestic Product growth this year is estimated at 3.7 percent as compared to 3.0 percent last year. The Agriculture sector recorded a growth of 3.1 percent against 2.4 percent last year. The Large Scale Manufacturing (LSM) growth is 1.1 percent during 2011-12 against 1.0 percent last year. Overall, the commodity producing sectors and especially the Agriculture sector have performed better. The Services sector recorded a growth of 4.0 percent in 2011-12.

### **Agriculture Sector**

Agriculture is a key sector of the economy and accounts for 21 percent of GDP. The supportive policies of the government resulted in a growth of 3.1 percent against 2.4 percent last year. Major Crops registered an accelerating growth of 3.2 percent as compared to a negative growth of 0.2 percent last year. The major crops including Cotton, Sugarcane and Rice witnessed growth

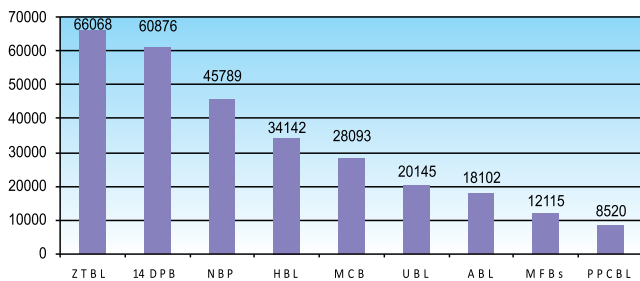
in production of 18.6 percent, 4.9 percent and 27.7 percent respectively. However, preliminary estimates of wheat production showed a negative growth due to late receding of flood waters in lower Sindh which hampered the timely cultivation of the wheat crop. Livestock has witnessed a marginally higher growth of 4.0 percent against the growth of 3.97 percent last year. Fisheries sector showed a growth of 1.8 percent. Forestry recorded a growth of 0.95 percent as compared to the contraction of 0.40 percent last year

**Flood Impact Assessment**

Severe monsoon rains triggered floods of an unprecedented scale in Southern Pakistan, engulfing 23 districts of Sindh Province and adjoining areas of northern Balochistan causing damages to crops, infrastructure and human settlements, thus adversely affecting national economy. According to the World Bank and the Asian Development Bank (ADB) Damage and Needs Assessment (DNA) Report, approximately, 9.6 million people were affected in Sindh and Balochistan as a result of these rains. The total damages estimated to Agriculture, Energy, Transport and Communication, Health, Environment as well as the Forestry, Water Supply and Sanitation amounting to Rs.324.5 billion (US\$ 3.7 billion).The rehabilitation and Cost of recovery is estimated at Rs.239 billion (US\$ 2.8 billion). This is in addition to damages of \$ 10 billion to the economy during 2010 floods.

**Operational Review of the Bank**

Despite unfavorable scenario ZTBL has remained the lead Bank in institutional agriculture credit lending as it alone disbursed Rs.66.07 billion (22%) out of country’s total agricultural credit disbursement of Rs.293.85 billion during FY11-12.



\*(DPB) Domestic Private Banks (MFB) Micro Finance Banks (PPCBL) Punjab Provincial Cooperative Bank Ltd.

**Disbursement**

During the calendar year 2012 the Bank disbursed an amount of Rs.64,133 million against Rs.65,452 million

disbursed in the corresponding period of last year showing a decrease of -2% due to slow off-take of credit in the flood/rain affected areas.

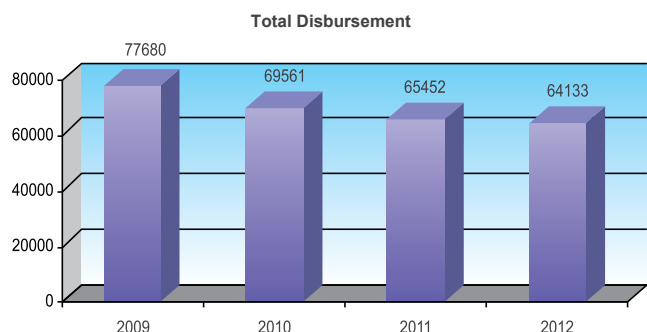
The Bank served 406,392 borrowers through various lending schemes. The Bank channeled bulk of its credit to small farmers who constitute backbone of the agriculture sector of the country. The Bank focused on increase in farm production by exploiting the full potential of land resources with appropriate use of agricultural inputs, tillage practices and water management techniques. It accordingly disbursed a major portion of its funds towards production loans. This is evident from the disbursement of Rs.52,015 million constituting around 81.1% of total disbursement.

An amount of Rs.12,118 million constituting 18.9% of the total agricultural credit was disbursed for development purposes which was mainly utilized for dairy farming, purchase of tractors and installation of tube-wells. An amount of Rs.6,631 million was disbursed for dairy farming and the Bank financed 7296 tractors with a total disbursement of Rs.3594 million and 2051 tube-wells with total disbursement of Rs.525 million. The summary of Bank’s disbursement is given below:-

**Year-wise Disbursements**

Rs. in million

Break-up	2009	2010	2011	2012
Total Disbursement	77,680	69,561	65,452	64,133
a. Production Loans	61,716	56,867	58267	52015
(Ratio)	(79.4%)	(81.7%)	(89.0)	(81.1)
b. Development Loans	15,964	12,694	7,185	12118
(Ratio)	(20.6%)	(18.2%)	(11.0%)	(18.9%)
Share of Small Farmers (Up to 25 Acres)	67,992	61,174	58,066	57,617
(Ratio)	88%	88%	89%	90%



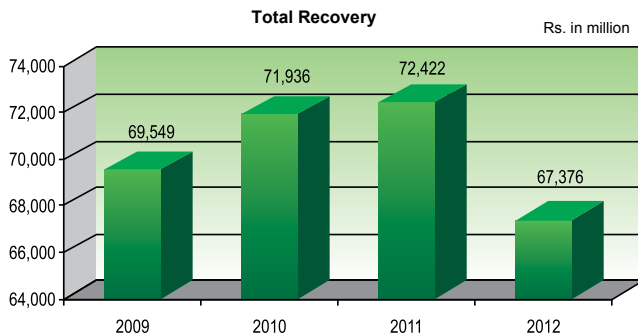
**Recovery Operation**

During the Calendar Year 2012, ZTBL recovered Rs.67,376 million against recoverable of Rs.74,368 million with a recovery rate of 90.6%.



## Year-wise Recovery

2009	2010	2011	2012
69,549	71,936	72,422	67,376



## BRIEF ON PERFORMANCE/ACHIEVEMENT DURING 2012

### Human Resource Development

ZTBL is playing a vital role in the field of agriculture financing with the strength of 5724 ZTBL employees and 2023 employees hired from KSSL. 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 the various tiers of management. During the period under review, professional bankers were recruited in the Bank. Moreover, Bank also regularized the services of ex-work charge and contractual employees as per advice of the Federal Govt. ZTBL considers quality human resource as bedrock of the organization. The fine-tuning of HR Policies and Systems in line with the Revamping Plan continued as an ongoing process. During the year 2012, to enhance the competencies of manpower, about 58 courses have been conducted and 1321 employees of different categories had participated in multifarious courses. A total of 302 employees including 02 Board Members were benefited in Inland training programme at IBP, BDI, SBP, PIM etc. Updating and revision of 13 course modules were also carried out. 206 Internship cases without stipend were also processed in 2012. Total 3000 employees were imparted various trainings at the Bank's Staff College and in various institutes within the country.

### Outreach/Business Expansion

Operations Division ensures efficient and sound operations of the Bank. The main objective of Operations Division is to organize field network for effective implementation of the Bank's operations and to identify weak operational areas, besides advising remedial measures to overcome the

bottlenecks to improve operations. Therefore, Bank has been actively engaged in the development of banking services in order to bring overall improvement. Accordingly, during the period under review, the bank fetched deposit of Rs.11,097 million which signify a positive growth.

During the period under review, annual branch expansion plan envisaging the opening of 20 new branches for the year 2013 was got successfully approved by the SBP. Moreover, 45 branches were converted from loss making to profit earning branches. A new department namely User & System Profile Management Department was created under Operations Division, that will help in bringing about overall business efficiency through well coordinated rollout, effective utilization and monitoring of computerized applications at Head Office and field.

The Bank has successfully launched its Hajj Operations to cater the need of local masses. During the period under review, Bank collected 9,553 Hajj Applications from the intending pilgrims. The Bank collected 841,193 Utility Bills, by contributing its share in the larger environment during the period under review.

### Reduction in NPLs

The classified loans under Prudential Regulations of SBP as of 31.12.2012 are Rs.18418.879 million as against Rs.21817.282 million last year showing a decrease of Rs.3398.403 million over last year, despite the continuous adverse impact of floods/rains during last three years. The Bank Management laid more emphasis on recovery and reduction of NPLs and resultantly, a substantial reduction of Rs.3398.403 million over last year has been achieved.

### Technology Dissemination

ZTBL is the only bank in Pakistan with 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 of Tractors, Tube wells, Farm Transport, Vegetable Planters, Zero Tillage Drills, Rice Threshers, Combine Harvesters of Wheat, Rice, Maize and Sunflower etc which directly helped increasing yield besides improving the efficiency of other farmers activities.

At Present in Pakistan 954,320 Tube wells have been installed which either operating on diesel or electricity. To reduce the import bill of diesel and

to meet the shortage of electricity ZTBL intends to introduce Solar Energy System as an alternate source of power for running irrigation pumps for lift of water, drying/ processing of fruits/ vegetables and to fulfill the rural domestic requirement of 100-500 volts.

The bank has identified various varieties of olive and introduced for cultivation in local environment especially in potohar region.

Thirty four Model villages were 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 know about farmers problems and their solutions. Various subject specialists across the board were invited to discuss about crops and yield maximization.

The economics/feasibilities have been prepared of major and minor crops, fruit & vegetable, livestock & poultry quail farming, fisheries, solar, irrigation system, agriculture machinery and rural women & rural youth empowerment schemes. Economics of inland fish farming, trout farming, ostrich farming, beekeeping, feed lot/ fattening station, rearing of heifers (female calves of buffaloes), animals breeding centre, sheep and goat farming, were prepared & distributed among the bank's field functionaries and farmers.

### IT Up-gradation

ZTBL has adopted a corporate vision based on modern banking system integrated and synchronized with front office and back office ICT based tools/ techniques encompassing all other commercial banking features/operations resolving the complete business needs of rural territories with innovative & most modern banking products in consonance with geographical requirements.

- Revival of legacy application using reliable, affordable information communication technologies has enabled the bank to offer its services to farmers on centralized loan processing system on the nationwide network. The bank is enabled to do on-line loan processing using its own established Wide Area Network (WAN). Field offices have been enabled to entertain loan processing applications, recovery and/or release of installments under products like regular loan, Sada Bahar, White Revolution etc. on the terminals in the branches. This radical development in the Bank's ICT infrastructure has offered tremendous operational efficiency. In order to

meet SBP regulatory compliance with reference to the maintenance of NADRA verified client records; ZTBL successfully conceived, designed and developed an integrated end to end loan processing system by mapping the ZTBL loan processing system to NADRA data base with a further integration to the State Bank of Pakistan's eCIB database. Also the Loan processing system, Obligor Risk Rating System, Centralized Deposit Management system, NADRA verification and Customer Credit Worthiness are seamlessly integrated together.

- Centralized Deposit Management System & Centralized Payroll Management System are also deployed at Branches as an extension of loan processing system. The cDMS has been designed to allow the bankers to post transaction themselves by using most modern concepts like photo and signature verification on the screen for on-line dealing of cheques processing & instantly funds transfer facility.
- The bank has in-house built-in online management information system (Dynamic Integrated Management Information System). All the regulatory compliance reports are available in cascading formats. Users are fully enabled to look at KPIs and summary reports expandable to actual transactions. The newly revamped DIMIS revolutionized ZTBL to monitor the performance of entire bank.
- The Data Centre along with Failover Site are equipped with the Servers for the connectivity of the entire network of branches/Zonal offices. PCs and Servers are deployed at the branches and Zonal/Field Offices. The ZTBL management has created culture of e-mail communication system at HO, Zonal Offices and Branches. Similarly, the entire internal audit and inspection field force are also equipped with laptops with preinstalled audit facilitation system.
- ZTBL is also participating in the Bank's initiative on BASEL-II Risk Management Compliance by developing Internal Credit Risk Management System (ICRM).
- Currently, the bank initiated treasury operations at Karachi. Information System Division procured, installed and commenced treasury application alongwith linking to PRISM - Real Time Gross Settlement (RTGS) for facilitating to be the member of Clearing House through NIFT. Failover Site at Karachi and Datacenter at Islamabad are under way.



## 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, 2012 was 27.27% as against required ratio of 10% and industry average of 14%. The Bank earned pre tax profit of Rs.3,889 million and classified loans were provided for as per SBP Prudential Regulations during the period under review. The Bank was able to mobilize up to Rs.11,097 million as on 31.12.2012 in terms of deposits.

ZTBL Financial highlights are summarized below:-

Particulars	(Rs. million)		
	2010	2011	2012
Total Assets	117,586	122,468	131,859
Advances – net	84,793	84,744	88,060
Cash & Bank Balance	13,662	14,233	12,525
Operating Fixed Assets	1,132	1,167	1,180
Share Capital	12,522	12,522	12,522
Deposits	9,603	8,962	11,097
<b>Appropriations</b>			
Profit/(Loss) before Taxation	2,878	3,277	3,889
Taxation	1,014	1,132	1,300
After Tax Profit/(Loss)	1,864	2,145	2,589
Un-appropriated Profit brought forward	4,964	6,456	8,172
Profit available for Appropriation	6,828	8,601	10,761
Transferred to Statutory Reserve (20% of after tax profit)	373	429	518
Un-appropriated Profit Carried forward	6,456	8,172	10,243

**Capital:** The paid up capital as on 31.12.2012 was Rs.12,522 million against authorized capital of Rs.25,000 million. Pattern of share holding as at 31.12.2012 is annexed.

**Earnings per Share:** During the year under review basic earnings per share was Rs.2.068 compared to Rs.1.713 in 2011. Its computation has been reported in the financial statements.

**Credit Rating:** The 'AAA/A-1+' (Triple A/A-One Plus) rating cover all government guaranteed debt procured and deposit mobilized by Zarai Taraqati

Bank Limited (ZTBL). Entity ratings of 'B+/B' (Single B Plus/Single B) assigned to ZTBL reflect its financial position while capturing the risk profile of the bank without taking into account the sovereign guarantee.

## State Bank of Pakistan (SBP) Debt Pricing

The total outstanding borrowings from State Bank of Pakistan stood at Rs.51,292 million and subordinated debt at Rs.3,204 million as on 31st December, 2012. 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.30,185 million for the period from July 01, 2004 to December 31, 2012. 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.

## 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 and risk management departments has been established. The division is independent of business and operations of the Bank and the head of the division directly reports 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 Social Responsibility

Efforts are being made to enhance farmers income through increase in per acre yield of crops. In order to give relief to the farmers and to mitigate the current energy crises steps are also being taken to encourage use of alternative sources of energy like solar, biogas and wind. To disseminate and transfer latest Agriculture Technology, various demonstrations/exhibitions were arranged in model villages.

Various training programmes for enhancing productivity through capacity building of the farming community were conducted in different agro-ecological zones of the country. Efforts were also made to develop livestock, dairy, poultry fisheries through introduction of improved production techniques, better hygienic conditions, better healthcare and balanced nutrition availability to meet the protein requirement of the growing population.

### 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 2013.

### IT Infrastructure Development and Automation Projects

It has been ensured that the procured ERP Solution and its allied functionalities must be conversant to ultra modern and efficient Hardware Platform (s)

/ Communication Network and to deploy latest & installed base version, highly scalable, configurable, customizable, parameterizeable and testable ERP solution with following functionalities; duly compliant with the local market bank practices:

1. General Ledger/Sub-Ledgers
2. Enterprise Planning, Budgeting & Financial Analysis
3. Inventory & Fixed Asset Management
4. Cash Management
5. Receivables
6. Payables
7. Human Resource Management including
  - a. Manpower Planning
  - b. Recruitment & Selection
  - c. Compensation & Benefits
  - d. Employee Services
  - e. Employee Self-Services
  - f. Payroll
  - g. Administration
  - h. Functional & Analytical Reporting

ZTBL procured off-the-shelf, Oracle Financials (ERP Suite of applications) and intends to implement an effective ERP system using Information Communication Technology to enhance Regulatory Compliance, offer better KPI monitoring and improved real time Management Information System enabling the Bank to launch new ICT based schemes/products for farmers and HR Management System. The series of studies conducted by local and international consultants had indicated ample room for improvements in the legacy loan processing and accounting system. Their objectives included system analysis and design for the implementation of an end to end Enterprise Resource Planning (ERP) for front office and back office; including Risk Management System and Human Resource Management System.

Management expects to enhance its deposit base subject to provision of certain ancillary financial products and services to our customers. To achieve the future business plan, following initiatives are under active consideration:

Opening of 20 new ZTBL Bank Branches inclusive of 01 Model Branch to be located in Peshawar that will promote client orientated/service focused culture.

- Relocation of 25 branches from residential



areas to business potential areas is under consideration.

- Deposit Mobilization will be increased to Rs.15 Billion during next year.
- Launching of Western Union in 109 more branches.
- Collection of 8,500 Hajj Applications is targeted for the year 2013.

Liability Marketing Division has been recently established, with a view of taking necessary initiatives to develop a sustainable source of funds generation for ZTBL to undertake its regular business. The need to attain self sufficiency in absence of any financial grant or assistance from the Government of Pakistan or any International Donor agency or Development Financing Institution is a major attribute for the management to shift its focus towards funds generation through own sources. Liability Marketing Division has been allocated the target of Rs 7 billion for the year 2013.

### 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, 2012, 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, 2012 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.

- iv. 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.
- vii. 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. The significant part of SBP roadmap as required vide BSD Circular No.05 of 2009 dated 24th February, 2009 has been completed.

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 2012. Attendance of the members remained as under:-

S. No.	Name of Member	Designation	No. of meetings attended
1	Mr.Sultan Ali Chaudhry	Chairman	07
2	Mr. Ihsan-ul-Haq Khan *	President & CEO/ Director	01
3	Ms.Roohi R.Khan **	Acting President/ CEO/Director	06
4	Mr.Abdul Wajid Arain	Director	06
5	Dr.Amir Muhammed	Director	07
6	Dr.Khalid Ahmad Khokhar	Director	06
7	Mr.Mahmood Nawaz Shah	Director	04
8	Mr.Muhammad Iftikhar Khan Mohmand	Director	05
9	Mr.M.Yaqoob Vardag	Director	07
10	Mr.Muhammad Zaka Ashraf	Director	04
11	Ms.Nazrat Bashir ***	Director	01
12	Mr.Zafar Iqbal	Director	07

\* One meeting was held during his tenure.

\*\* Six meetings were held during her tenure.

\*\*\* Two meetings were held during her tenure.



## ANNUAL GENERAL MEETING

**Ninth Annual General Meeting of the Bank was held on May 29, 2012 at Islamabad.**

### **Auditors of the Bank**

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

### **Acknowledgments**

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

( Ihsan-ul-Haq Khan )  
President & CEO

## CORPORATE INFORMATION (AS ON 31.12.2012)

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
	Mr. Ihsan-ul-Haq Khan	Director (President ZTBL)
	Mr. Abdul Wajid Arain	Director
	Mr. Aftab Anwar Baloch*	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
	Mr. Zafar Iqbal	Director

(\* His induction on the Board is subject to clearance from SBP under FPT Criteria which is awaited)

Mr. Abdul Ghaffar Bhatti	Chief Financial Officer
Mr. Muazam Ali	Company Secretary



## ZARAI TARAQIATI BANK LIMITED

### 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>

\* Certificates of shares of Government of Erstwhile East Pakistan have not yet been issued.

## ZARAI TARAQIATI BANK LIMITED

### BOARD SUB-COMMITTEES

- a. AUDIT COMMITTEE**
- |    |                          |           |
|----|--------------------------|-----------|
| 1. | Mr. Zafar Iqbal          | Chairman  |
| 2. | Dr. Amir Muhammed        | Member    |
| 3. | Dr. Khalid Ahmad Khokhar | Member    |
| 4. | Mr. Abdul Wajid Arain    | Member    |
| 5. | Chief Internal Auditor   | Secretary |
- b. HUMAN RESOURCE MANAGEMENT COMMITTEE**
- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Mr. Abdul Wajid Arain              | Chairman  |
| 2. | Mr. Muhammad Iftikhar Khan Mohmand | Member    |
| 3. | Dr. Amir Muhammed                  | Member    |
| 4. | Dr. Khalid Ahmad Khokhar           | Member    |
| 5. | President, ZTBL                    | Member    |
| 6. | Head Human Resource                | Secretary |
- c. RISK MANAGEMENT COMMITTEE**
- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Dr. Amir Muhammed                  | Chairman  |
| 2. | Mr. M.Yaqoob Vardag                | Member    |
| 3. | Mr. Muhammad Iftikhar Khan Mohmand | Member    |
| 4. | Mr. Zafar Iqbal                    | Member    |
| 5. | Mr. Muhammad Nawaz Shah            | Member    |
| 6. | Head, RMD                          | Secretary |
- d. COMMITTEE ON INFORMATION TECHNOLOGY**
- |    |                            |           |
|----|----------------------------|-----------|
| 1. | Dr. Khalid Ahmad Khokhar   | Convener  |
| 2. | Mr. Mahmood Nawaz Shah     | Member    |
| 3. | Mr. Zafar Iqbal            | Member    |
| 4. | Mr. Muhammad Iftikhar Khan | Member    |
| 5. | Mr. Muhammad Yaqoob Vardag | Member    |
| 6. | Head (ISD)                 | Secretary |
- e. COMMITTEE ON REVAMPING & RESTRUCTURING**
- |    |                            |           |
|----|----------------------------|-----------|
| 1. | Dr. Amir Muhammed          | Convener  |
| 2. | Mr. Mahmood Nawaz Shah     | Member    |
| 3. | Head (Research & Planning) | Secretary |
- f. COMMITTEE ON CREDIT PLAN**
- |    |                                    |           |
|----|------------------------------------|-----------|
| 1. | Mr. M.Yaqoob Vardag                | Chairman  |
| 2. | Dr. Amir Muhammed                  | Member    |
| 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. | EVP Recovery & SAM                 | Member    |
| 8. | Head (Credit)                      | Secretary |



## STATEMENT OF COMPLIANCES WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2012

This statement is being presented to comply with Code of Corporate Governance (CCG) 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. The Bank has applied the principles contained in the CCG in the following manner:

1. The Directors of the Board are nominated by the Government of Pakistan. At present the Board includes:

<b>Category</b>	<b>Names</b>
Executive Director	1. Mr.Ihsan-ul-Haq Khan
Non-Executive Directors	1. Mr.Sultan Ali Chaudhry
	2. Mr.Aftab Anwar Baloch*
	3. Mr.Muhammad Zaka Ashraf
	4. Dr.Amir Muhammed
	5. Mr.Zafar Iqbal
	6. Dr.Khalid Ahmad Khokhar
	7. Mr.Abdul Wajid Arain
	8. Mr.M.Yaqoob Vardag
	9. Mr.Muhammad Iftikhar Khan Mohmand
	10. Mr.Mahmood Nawaz Shah

\* Nomination by the Federal Government. To be inducted on the Board after receipt of clearance from SBP under Fit & Proper Test (FPT) criteria which is awaited.

2. The Directors have confirmed that non of them is serving in more then seven listed companies including ZTBL.
3. All the resident 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 NBFi or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. A casual vacancy occurred on the Board in May 2012 as Federal Government replaced its ex-officio Director. Clearance in this regard from SBP is awaited.
5. The Code of Conduct has been prepared and appropriate steps have been taken to disseminate it through out the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement and Strategic & Financial Plan 2007-2011. Business Plan/ Strategy 2012-2016 is under approval of the Board. All significant policies of the Bank have also been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President & CEO (Executive Director) and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman of the Board and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except emergent meetings where notice period was condoned by the Board. The minutes of the meetings were appropriately recorded and circulated.
9. An Orientation Course was arranged for the present Directors in the year 2011. To have certification for at least one Director before June 30, 2013 under Director's Training Program as per instructions contained in Code of Corporate Governance-2012, registration of the Director(s) for the said program is being arranged as per approval of Board.

10. The positions of CFO, Company Secretary and Head of Internal Audit duly approved by the Board remained intact during the year
11. The Director's Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were dully endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Bank.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG except timely publication of the first quarter interim financial information for the three months period ended March 31, 2012.
15. The Board has formed an Audit Committee. It comprises of four non-executive Directors including Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed Human Resource Management Committee which comprises of the CEO and four non-executive directors. The Chairman of the Committee is also a non-executive Director.
18. The Board has set up an effective internal audit function.
19. The joint statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of their respective firms, their spouses and minor children do not hold shares of the Bank and that the firm and all the partners are in compliance with International Federation of Accounts (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and both the joint auditors have confirmed that they have observed IFCA guidelines in this regard.
21. Determination of closed periods and dissemination of material/price sensitive information is not required as shares of the Bank are not listed on the stock exchange.
22. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Dated: 28-3-2013  
Place: Islamabad

**(IHSAN-UL-HAQ KHAN)**  
President & CEO



## HIGHLIGHTS OF ZTBL OPERATIONS

PARTICULAR	Amount (Rs. Million)
<b>A. DISBURSEMENT</b>	
1. TOTAL DISBURSEMENT	64,133
a. Production Loans	52,015
b. Development Loans	12,118
2. TRACTORS FINANCED	
Number	7296
Amount	3,594
3. TUBEWELLS FINANCED	
Number	2,051
Amount	525
4. SHARE OF SUBSISTENCE FARMERS	45,207
5. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	57,617
6. NUMBER OF BORROWERS SERVED	406,392
<b>B. RECOVERY OPERATIONS</b>	
TOTAL AMOUNT RECOVERED	67,376
<b>C. NETWORK OF OPERATIONS</b>	
1. NUMBER OF ZONES	31
2. NUMBER OF BRANCHES	359
3. NUMBER OF MCOs	1,313







**REVIEW OF  
OPERATIONS**







## REVIEW OF

# OPERATIONS

Agriculture is playing a vital role in the economy of the country providing 21% of GDP and accommodating more than 60% labour force through providing job opportunities in the rural sector of Pakistan. ZTBL having the largest network is the only specialized financial institution of Pakistan, catering to the credit needs of agriculturists for the production, development, modernization of agriculture as well as promotion of non-financial sector through field force of Mobile Credit Officers at doorstep of the farmers. Starting from the seeds, chemical fertilizer, tube well, tractor, harvester and other attachments, to the latest technologies of solar tube well, biogas plant, poultry specially through controlled shed and dairy farming including hatcheries and feed mills, milk plant with chilling centre in rural areas and fish catching trawler for its export are the main achievements of ZTBL to satisfy the needs of Pakistan's fast growing population and to fulfill the nutritional requirements of the population. 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 productivity and income. ZTBL alone serves about 0.4 million farm families annually and shares around 22% of the total institutional credit.



The concept of Supervised Credit Scheme through Mobile Credit Officer(MCOs) had been highly appreciated by the World Bank and other international financial institutions and ZTBL is progressing and achieving its national goal through this scheme. It is also being honour for ZTBL having highly qualified technical staff with professional knowledge in the banking sector of Pakistan.

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 productivity and income. ZTBL alone serves about 0.4 million farm families annually and shares around 22% 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 people at doorstep through Supervised Credit Scheme. The Bank has disbursed Rs.828.897 billion up to 31.12.2012 which includes financing of 550,894 tractors and 153,506 tube-wells since inception. 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 in the entire country.

## **1. OVERALL CREDIT DISBURSEMENT**

During 2012 the Bank disbursed an overall amount of Rs.64,133 million as compared to Rs.65,452 million in the year 2011. The Bank served 406,392 borrowers during the year 2012.

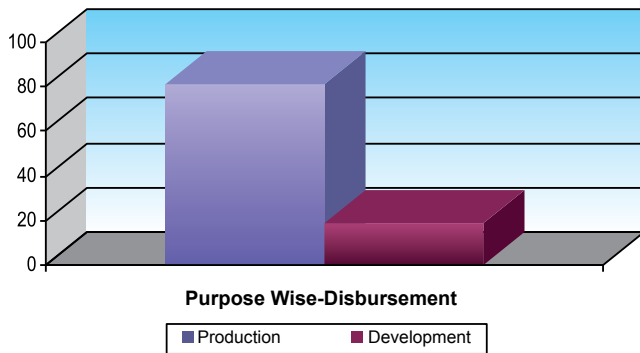
The impact of ZTBL credit is visible from growth in production of major crops including Cotton (18.6%), Sugarcane (4.9%) and Rice (2.4%). The bank managed

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**

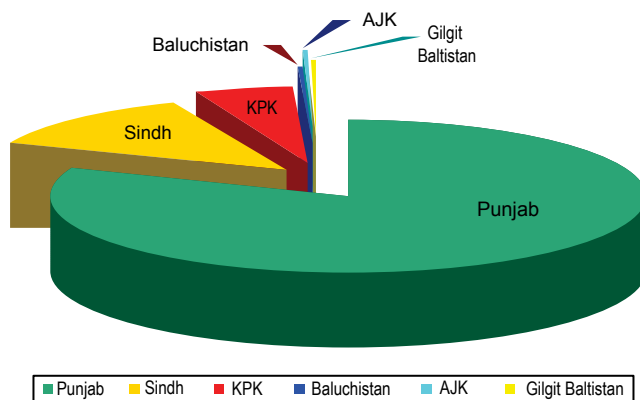
The Bank advanced Rs.52,015 million for production purposes during 2012 against Rs.58,267 million disbursed in the year 2011. Item-wise distribution of production loans includes Rs.24,967 million for fertilizers, Rs.14,564 million for improved seeds and Rs.9,883 million for pesticides etc. Bank also provided working capital loans for dairy, poultry, livestock and fisheries which were Rs.577 million, Rs.271 million, Rs.4 million and Rs.1 million, respectively. An amount of Rs.1,747 million was disbursed for other production proposes. The share of production loans to total agricultural loans was 81.1%. Details are given in statistical table No.2.6 annexed.

Disbursement for development purposes amounted to Rs.12,118 million in the year 2012 against Rs.7,185 million disbursed during the year 2011. Out of this amount, Rs.3594 million were disbursed for financing of 7296 tractors, Rs.525 million for installation of 2051 tube wells, Rs.303 million for farm equipment, Rs.359 million for godowns/cold storages, Rs.30 million for land development and Rs.102 million for orchards. Bank also disbursed loans for the establishment/replenishment of dairy farms, livestock farms and poultry farms amounting to Rs.6632 million, Rs.442 million and Rs.5 million, respectively. The remaining amount of Rs.124 million was disbursed among other miscellaneous developmental purposes. Detail is given in statistical table No. 2.6 annexed.



### 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 2012 the Bank disbursed Rs.51,941 million (81.0%) in Punjab, Rs.8,209 million (12.8%) in Sindh, Rs.3,436 million (5.4%) in Khyber Pakhtunkhwa, Rs.131 million (0.2%) in Baluchistan, Rs.252 million (0.3%) in AJK and Rs.164 million (0.3%) in Gilgit Baltistan. Detail is given in statistical table No.2.2 annexed.



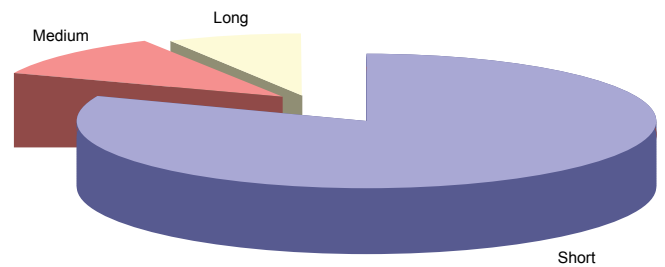
Province-wise disbursement of loans

### 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.

Term-wise loan amounts are given below:

Short term loans	Rs.52,015 Million
Medium term loans	Rs.7,271 Million
Long term loans	Rs.4,847 Million

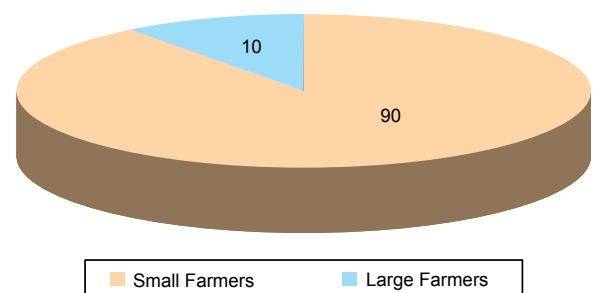


Term-wise loan disbursement

### 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 2012, the small farmers having land up to 25 acres, had a share of 90 percent as an amount of Rs.57,617 million was disbursed to them out of the total disbursement of Rs.64,133 million. Of this, an amount of Rs.45,207 million was channeled to subsistence farmers constituting 70 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 2012 revealed that land-less farmers received Rs.71 million which was 0.1% of the total disbursement. Loans to land owners/operators under 12.5 acres amounted to Rs.44,055 million representing 68.7% share in overall disbursement. Farmers owning/operating land between 12.5 and 25 acres received Rs.13,492

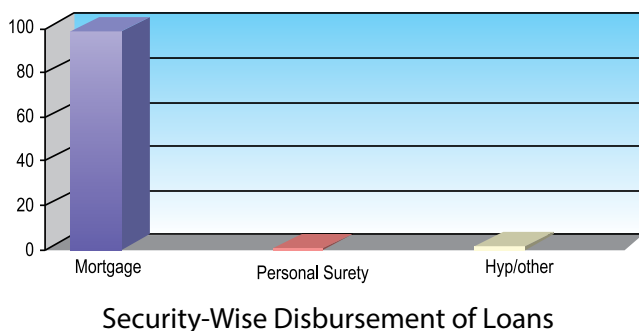
million constituting 21.1% share. It was followed by Rs.4,693 million (7.3%) disbursed to farmers with land holding between 25 and under 50 acres. Remaining credit amounting to Rs.1,823 million (2.8%) was disbursed to land holders operating farms of 50 acres and above. Details are given in statistical 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 disbursed up to Rs.25, 000 constituted only 0.5% of the total credit, loans of Rs.25001 to Rs.50, 000 were 3.1%, loans of Rs.50, 001 to 200,000 were 38.4%, Rs.200,001 to Rs.500,000 constituted 47.2% and above of Rs.500,000 constituted 10.8 % of the total credit disbursed. 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.63,231 million, constituting 98.6%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.102 million being 0.1% were disbursed against personal surety while loans amounting to Rs.800 million being 1.3% were advanced against hypothecation and other securities. Details are given in statistical table No.2.4 annexed.



**1.8 Zarkhaiz/Awami Zarai Scheme**

Zarkhaiz/ Awami Zarai Scheme (One Window Operation) has played a significant role in meeting the production credit requirements of small farmers timely. Credit availability of farmers at their door-steps may enable them to purchase the required good quality inputs. In order to facilitate farmers, One Window Operation (Zarkhaiz/Awami Zarai Scheme) continued on every Monday during the

sowing seasons. It remained operative 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 Department, Board of Revenue and Postal Authorities.

**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 2012.

**2. RECOVERY OPERATIONS**

Against recoverable of Rs.74367.666 million the Bank recovered Rs.67376.135 million which is 90.6% of the recoverable whereas last year the recovery percentage was 90.3% which shows increase of 0.3% over last year. Province wise detail is as under:-

PROVINCE	RECOVERABLE	RECOVERY	%AGE	LAST YEAR'S %AGE	INC.DEC.
Punjab	59908.426	54724.032	91.3	92.3	-1.0
Sindh	9580.285	8313.701	86.8	78.4	8.4
KPK	4258.917	3797.004	89.2	88.2	1.0
Baluchistan	172.158	133.111	77.3	69.4	7.9
AJ&K	266.357	263.061	98.8	99.0	-0.2
Gilgit	181.522	145.226	80.0	83.0	-3.0
Country	74367.665	67376.135	90.6	90.3	0.3

**2.1 Reduction in NPLs**

The classified loans under Prudential Regulations of SBP as of 31.12.2012 are Rs.18418.879 million against Rs.21817.282 million last year showing a decrease of Rs.3398.403 million over last year, despite the continuous adverse impact of floods/rains during last three years. The Bank Management laid more emphasis on recovery and reduction of NPLs and



resultantly, a substantial reduction of Rs.3398.403 million over last year has been achieved.

## 2.2 SAM Recovery

An amount of Rs.2942.528 million has been recovered out of SAM loan portfolio in the year 2012 against recovery of Rs. 2336.882 million which indicate an increase of Rs.605.646 million with a growth of 25.9% over the last year. Outstanding SAM portfolio has also decreased as the same has been reduced by Rs. 2111.211 million which comes to be 6.7%.

## 3. CREDIT OPERATIONS

### 3.1 Review of Credit Policy & Credit Manual

Credit Policy has been reviewed & updated and approved by BOD in its 52<sup>nd</sup> Meeting. Credit Manual Vol-I & II has been updated as on 31.12.2012 and approved by the President.

### 3.2 Changes in Legal Documents of Loan Cases

As per decision of ZTBL Board of Directors circulated through Finance & Accounts Division of the Bank floating rate of mark up equal to one year KIBOR+2% margin is to be charged on all development loan cases w.e.f.22.12.2011 till the time of circulation of revised rate of mark up by the Bank Management.

Consequently, Credit Policy Department examined the legal documents to be executed in the loan cases in consultation with Law Division of the Bank & made/circulated necessary changes therein to legally protect the interest of the Bank.

## 4. NEW INITIATIVES/SCHEMES

### 4.1 Kissan Dost Scheme (KDS):

In order to finance crop production loan on concessional rate of mark up of 11% (with 1% rebate on timely repayment), "Kissan Dost Scheme" has been launched. The salient features of the scheme are as under:-

- Mandatory for all new borrowers of production loans.
- All new borrowers of Non-Farm Credit would continue to be financed under AZS).
- Revised per acre credit limits are applicable.
- Max. credit limit is Rs.0.500 million per borrower/party.

- The loan is disbursed in respective season i.e. for Rabi Crops Inputs from 1<sup>st</sup> October to 31<sup>st</sup> March and for Kharif Crops Inputs from 1<sup>st</sup> April to 30<sup>th</sup> September each year & recovered in one installment on 7<sup>th</sup> July or 7<sup>th</sup> January as the case maybe.
- Loans are disbursed through one time loan case without the facility of roll over.

### 4.2 Special Schemes for Gilgit-Baltistan:

For reduction of poverty and enhancing business activities in Gilgit-Baltistan area following four special products have been launched:-

**4.1.1 TROUT FISH FARMING:** Keeping in view, scarcity of productive land in Gilgit-Baltistan, the existing requirement of security land for fish pond has been relaxed from minimum 4 acres and maximum 10 acres to minimum 01 Kanal and maximum 08 Kanals. The maximum loan limit is Rs.1.000 million per borrower/party. Loans are recoverable within 5 years in equal yearly installments commencing after 2 years of 1<sup>st</sup> disbursement.

**4.1.2 YAK FARMING:** Yak is reared for both meat & milk purposes having ample demand in the local market. Credit ceiling for 1 yak has been fixed as Rs.50,000/- & loan for maximum up to 5 animals can be advanced. Yak farming loans are recoverable within 5 years in half yearly installments with one year grace period.

**4.1.3 SEABUCKTHORN CULTIVATION:** From Sea Buckthorn seeds, items like oil, jam & jelly are produced. It is grown on small scale but has potential in the area with scope of foreign exchange. Its credit limit has been fixed as Rs.52,000/- per acre. Loans are recoverable within 5 years in equal yearly installments commencing after 2 years of 1<sup>st</sup> disbursement.

**4.1.4 HYBRID POPLAR:** For the commercial cultivation of hybrid poplar in Northern Areas per acre credit limit of Rs.15,000/- has been fixed. Recovery period has been fixed as 5 years in equal half yearly/yearly installments commencing after 3 years of first disbursement.

### 4.3 Special Product Milk Chilling Unit

After successful experience of dairy product Milk Chilling Unit financed under Karachi Package, the same has also been launched in dairy attractive business branches of Khudian, Kanganpur, Chunian, Pattoki, Kot Radha Kishan & Kasur under Lahore Zone.

The loan under the scheme is advanced against tangible security i.e. agri. land, plot/residential building, commercial property and other acceptable form of security which is valued as per standing instructions of the Bank. The rate of mark-up is 14.30% p.a. with 1% rebate on timely repayment. The maximum loan limit is Rs.1.000 million per borrower/party.

Strict monitoring is exercised by concerned MCO after one month of the disbursement. The monitoring of these loans is also made by deputing a senior officer by Credit Division.

### 4.4 Agri. Re- Financing Scheme:

In line with the policy of Federal Government/SBP, the Bank has launched "Agri.Re-Financing Scheme for Revival of Agricultural Activities in Flood Affected Areas" in selected districts notified by National Disaster Management Authority (NDMA). ZTBL has been allocated initially a limit of Rs.3,000 million. The validity of the scheme is up to November 30, 2013.

- Agricultural credit, under this scheme is available for "Farm Credit" and "Non-Farm Credit".
- Production loans would be provided under One Window Operations/Zarkhaiz Scheme as well as through General Credit in branches for Rabi Crops (March, 2012), Kharif Crops (April to September, 2012) and Rabi Crops from 1st October, 2012 to 30th March 2013, Kharif Crops (April to September, 2012) & Rabi Crops (October to November, 2013.)
- One time loan would be processed under the scheme.
- Rate of mark up would be 8% p.a. and in case of default normal rate of mark up of 13.50% p.a. would be charged.

### 4.5 Khawateen Rozgar Scheme

In order to empower the rural women to play significant role to increase family income & contribute towards GDP, this scheme has been introduced in all branches of the Bank.

- All new/old credit worthy women having technical know how & capacity to pay are eligible to get financing for farming, textile and clothing, bamboo cane & related products and others etc.
- As regards security, tangible properties owned by the borrowers and in case of its non-availability, parents/family member property can be accepted as a co-applicant.
- The rate of mark up would be for production loan; 13.50% p.a. and for development loan 14.30% p.a. with 1% rebate on timely repayment.
- The maximum limit would be Rs.200,000 per borrower/party.
- Borrower's contribution would be 10% of the loan amount.
- The Loan would be sanctioned by the Branch Manager.
- Production & development loans would be recoverable within 18 months and 5 years respectively in half yearly installments.
- Strict monitoring would be exercised by ensuring checking of utilization by the MCO in 100% cases and sample checking of utilization by the Manager, Zonal Manager, Recovery and Internal Auditors of the Bank.

### 4.6 Asan Qarza Scheme

In order to engage rural youth in national development, to raise their living standard and to check their migration to urban areas, this scheme has been started in all branches of the Bank:-

- All new as well as old credit worthy borrowers having capacity to repay and technical know how with related experience are eligible to apply for financing of loanable items such as livestock/agri-farming, rural based income generating activities like Atta Chakki/Rice Husking Machine/Ara Machine & Bee-Keeping etc.
- As regards security, tangible properties owned by the borrowers and in case of its non-availability, parents/family member property

can be accepted as a co-applicant.

- Rate of Mark up of 14.30% p.a. would be charged with 1% rebate on timely repayment.
- The maximum loan ceiling would be Rs.200,000/- per borrower/party.
- The borrower will contribute equity @ 10% of the loan amount.
- The Loan would be sanctioned by the Branch Manager.
- The loans would be recoverable within 5 years in half yearly installments.
- Strict monitoring would be exercised by ensuring checking of utilization by the MCO in 100% cases and sample checking of utilization by the Manager, Zonal Manager, (Recovery) and Internal Auditors of the Bank.

#### 4.7 Tawanai Bachat Scheme (Bio Gas Unit)

In order to help the farmers to overcome energy crisis, this scheme has been introduced to provide an alternate energy resource.

- One or more than one credit worthy borrowers having capacity to repay & possessing technical know how of Bio-Gas Unit can get financing for Bio-Gas Unit.
- Mark Up of 14.30% p.a. would be charged with 1% rebate on timely repayment.
- Loans for four types of Bio-Gas Units (8m<sup>3</sup>, 30m<sup>3</sup>, 50m<sup>3</sup> & 100m<sup>3</sup>) with price ranging from Rs.50,000/-, 200,000/-, 300,000/- & 750,000/- respectively can be obtained.
- As regards security, tangible properties owned by the borrowers and in case of its non-availability, parents/family member property can be accepted as a co-applicant.
- The loan up to Rs.250,000/- would be sanctioned by the Manager & upto Rs.750,000/- by Zonal Credit Committee.
- The loan would be disbursed by placing supply order in favour of firm to be verified by the Branch Manager.
- The loan would be recovered within 5 years in half yearly installments.
- Strict monitoring would be exercised by ensuring checking of utilization by the MCO in 100% cases and sample checking of utilization by the Manager, Zonal Manager, (Recovery) and Internal Auditors of the Bank.

#### 4.8 Shamsi Tawanai Scheme

In order to help the farmers to overcome energy crisis, this scheme has been introduced to provide an alternate energy resource.

- One or more than one credit worthy borrowers having capacity to repay & possessing technical know how of Solar Energy Pump can get financing under the scheme.
- Mark Up of 14.30% p.a. would be charged with 1% rebate on timely repayment.
- As regards security, tangible properties owned by the borrowers and in case of its non-availability, parents/family member property can be accepted as a co-applicant.
- Loans up to Rs.1.000 million per party/borrower can be sanctioned by the Zonal Credit Committee. The remaining cost of the Solar Energy Pump would be borne by the borrower.
- The loan would be disbursed by placing supply order on the firm to be approved for enlistment by Credit Operations Department, ZTBL, H.O.
- The loan would be recovered within 10 years in half yearly installments.
- Strict monitoring would be exercised by ensuring checking of utilization by the MCO in 100% cases and sample checking of utilization by the Manager, Zonal Manager, (Recovery) and Internal Auditors of the Bank.

### 5. EXPANSION OF OUTREACH/BUSINESS

Operations Division ensures efficient and sound operations of the Bank. The main objective of Operations Division is to organize field network for effective implementation of Bank's operations and to identify weak operational areas, besides advising remedial measures to overcome the bottlenecks to improve operations.

The very objective of conversion of ADBP into ZTBL was to make the Bank a viable and commercially self sustainable institution. Therefore, Bank has been actively engaged in the development of banking services in order to bring overall improvement. Accordingly, during the period under review, Bank fetched deposit of Rs.11,141 million which signify a positive growth.

During the period under review, Annual Branch



Expansion Plan envisaging opening of 20 new branches in the year 2013 was got successfully approved by the SBP. Moreover, 45 branches were converted from loss making to profit earning branches. A new department namely User & System Profile Management, was created under Operations Division, that will help bring about overall business & procedural efficiency through well coordinated rollout, effective utilization and monitoring of computerized applications at Head Office and field.

The Bank has successfully launched its Hajj Operations to cater the need of local masses. During the period under review, Bank collected more than 9,553 Hajj Applications from the intending pilgrims.

Most positive indicator of Operational performance during the period under review was the enormous increase in volume of Value added services such as collection of Utility Bills. The Bank has collected 841,193 Utility Bills from the customers during the period under review.

In order to improve efficiency and to streamline the operations of the Bank, all pending back-log of audit paras which were lying outstanding since 31.12.2004, have been reduced upto 15% with the efforts of Audit Compliance Unit under Operations Division.

## **6. HUMAN RESOURCE DEVELOPMENT**

ZTBL is playing a vital role in the field of agriculture financing with the strength of 5724 ZTBL employees and 2023 employees hired from KSSL. 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 young blood in the various tiers of management. During the period under review, 24 officers/executives were recruited in the Bank. Moreover, Bank also regularized the services of ex-work charge and contractual employees as per advice of the Federal Govt. ZTBL considers quality human resource as bedrock of the organization. The Bank has strengthened its manpower with the pace of its operations by promotion of committed/clean service record employees and attracting HR talent from the market during 2012. The Bank did not forget its retiring employees and an increase of

50-75% in pension was allowed to the pensioners of the Bank. Besides this, the Bank has also given many incentives in shape of cash reward; honorarium, special increments and appreciation letters to 47 employees. Education Allowance to 548 children of 277 clerical/non-clerical employees, has been given.

The fine-tuning of HR Policies and Systems in line with the Revamping Plan also continued as an on going process. During the year 2012, to enhance the competencies of manpower, about 58 courses have been conducted and 1321 employees of different categories had participated in multifarious courses. A total of 302 employees including 02 Board Members were benefited through inland training programme at IBP, BDI, SBP, PIM etc. Updating and revision of 13 course modules were also carried out. 206 Internship cases without stipend were also processed in 2012.

To mobilize the human resource of the Head Office and Field for better efficiency in their activities a series of loans i.e. HBA/C.A/P.L. & Computer Advances have been granted to 597 employees with a tune of Rs.164.731 Million. The Bank has also facilitated 2237 employees with a sum of Rs.15.801 Million with various welfare activities/events to promote harmonious and healthy working environment. In view the hard-working of human resource, the Bank also granted Performance Bonus for the year 2011 & 2012 to its employees. Four Departments namely Islamic Banking Development, Project Finance Department, President Support Depart and User & System Profile Management Department have been created.

## **7. TECHNOLOGY DISSEMINATION**

ZTBL is the specialized bank in Pakistan with sole 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 of Tractors, Tube Wells, Farm Transport, Vegetable Planters, Zero Tillage Drills, Rice Threshers, Combine Harvesters of Wheat, Rice, Maize and Sunflower etc which directly helped increasing yield besides improving the efficiency of other farmers activities.

At Present in Pakistan 954,320 Tube wells have been installed which either operating on diesel or electricity. To reduce the import bill of diesel and to meet the shortage of electricity ZTBL intends to introduce Solar Energy System as an alternate source of power for running irrigation pumps for lift of waters, drying/ processing of fruits/ vegetables and to fulfill the rural domestic requirement of 100-500 watts.

The bank has identified various varieties of olive and introduced for cultivation in local environment especially in potohar region.

Thirty four Model villages were 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 introduced and detailed discussion were made to know about farmers problems and their solutions various subject specialists were invited to discuss about crops and yield maximization.

The economics/feasibilities of Major and Minor Crops, Fruit & Vegetable, Livestock & Poultry Quail Farming, Fisheries, Solar, Irrigation System, Agriculture Machinery and Rural Women & Rural Youth Empowerment Schemes/ Economics of inland Fish Farming, Trout Farming , Ostrich farming, Beekeeping, feed lot/ fattening station, Rearing of Heifers (female calves of buffaloes), Animals breeding centre, Sheep and Goat farming, Mobile veterinary clinic were also prepared & distributed among the bank's field functionaries and farmers.

## **8. CREDIT ADMINISTRATION**

In order to ensure prudent lending through proper, prescribed and stipulated documentation and pre-post disbursement, the Credit Administration System was introduced in the Bank. As a first step Credit Administration Department was established in 2009 which was later on elevated to the level of a full fledged Division, namely Credit Administration and Risk Management. Since its inspection, the Division has played an effective and contributory role in shape of implementing the proper loan documentation and pre & post disbursement monitoring with the mechanism of Disbursement Authorization Certificate (DAC) as a check & balance

on the disbursement side. Credit Administration has also played an effective role in minimizing the Audit Paras, specially related to loans processing.

It has also disseminated the instructions in order to minimize the burnt/missing safe files. Many loan files have been reconstructed and closed due to the effort of this Division.

Moreover Zonal Manager Credit Administration works at Zonal Office level and OICA (Office Incharge Credit Administration) works at Branch level. Both are implementing/monitoring the Credit Administration System in the field.

In order to make availability of back-up of documents electronically, Security Documents Management System is being prepared by the ISD and is expected to be implemented during 2013.

### **8.1 Risk Management**

Provide input/recommendations on various draft policies/products on Treasury, Credit, Operations etc. Provide training/presentation on various topics on risk management to cater risk for the awareness among staff especially to the field functionaries. Reporting module in bank's MIS has been improved to accommodate specific requirements of risk management.

## **9. 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.

### **9.1 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 functionaries are performing their duties efficiently and judiciously. In the year

2012 Annual Management audit of 39 Head Office Departments and its units in the field were audited.

## 9.2 Field Audit

During first half of the year 2012 audit of 357 branches was conducted and 322 branches were audited in the second half. The pace of settlement of Field Audit paras remained 69%.

## 10. COMPLIANCE PROGRAMME

Compliance Department continued to pursue different Departments at Head Office for ensuring submission of data/reports to SBP and other Government Departments and agencies i.e. Ministry of Finance, National Accountability Bureau, Wafaqi Mohtasib etc. as per prescribed procedure. During the year 2012 around 81 numbers of regular returns were arranged from different Divisions/Departments for onward submission to State Bank of Pakistan/Ministry of Finance. Compliance Department coordinated conduct of annual SBP Inspection of the Bank for the period ending 30.06.2011. Bank's reply for Time Bound Action Plan on SBP Inspection Report was submitted by coordinating with the Departments. Discussion on points of contest was also made with SBP. Final SBP Inspection Report as of 30.06.2011 is awaited.

Compliance Review Program (CRP) is already operative in 37 selected branches having big loan portfolio. Further 80 branches are planned to be covered under CRP during this year. Branch Compliance Officers posted in most of the selected branches reviewed the Bank's operations on daily basis and reported "Exceptions" to the head office. Rectification of Exceptions were pursued through Branch Compliance Officers as well as through Operations Division. Issuance of circulars containing the policy instructions pertaining to SBP Prudential Regulations and other laws were arranged as an ongoing activity. These circulars were to be issued by the respective Divisions/Departments to all the Zonal Chiefs/Branches for ensuring meticulous compliance thereof in its true perspective.

## 11. IT UP-GRADATION

ZTBL has adopted a corporate vision based on modern banking system integrated and synchronized

with front office and back office ICT based tools/techniques encompassing all other commercial banking features/operations resolving the complete business needs of rural territories with innovative & most modern banking products in consonance with geographical requirements.

### IT Infrastructure Development & Automation Projects

ZTBL procured off-the-shelf, Oracle Financials (ERP Suite of applications) and intends to implement an effective ERP system using Information Communication Technology to enhance Regulatory Compliance, offer better KPI monitoring and improved real time Management Information System enabling the Bank to launch new ICT based schemes/products for farmers and HR Management System. The series of studies conducted by local and international consultants had indicated ample room for improvements in the legacy loan processing and accounting system. Their objectives included system analysis and design for the implementation of an end to end Enterprise Resource Planning (ERP) for front office and BackOffice; including Risk Management System and Human Resource Management System.

1. Revival of legacy application using reliable, affordable Information Communication technologies has enabled the bank to offer its services to farmers on centralized loan processing system on the nationwide network. The bank is enabled to do on-line loan processing using its own established Wide Area Network (WAN). Field offices have been enabled to entertain loan processing applications, recovery and/or release of installments under products like regular loan, Sada Bahar, White Revolution etc. on the terminals in the branches. This radical development in the Bank's ICT infrastructure has offered tremendous operational efficiency. In order to meet SBP regulatory compliance with reference to the maintenance of NADRA verified client records; ZTBL successfully conceived, designed and developed an integrated end to end loan processing system by mapping the ZTBL loan processing system to NADRA data base with a further integration to the State Bank of Pakistan's eCIB database. Also the Loan processing system, Obligor Risk Rating System, Centralized Deposit



Management System, NADRA verification and Customer Credit worthiness are seamlessly integrated together.

2. Centralized Deposit Management System & Centralized Payroll Management System are also deployed at Branches as an extension of loan processing system. The cDMS has been designed to allow the bankers to post transaction themselves by using most modern concepts like photo and signature verification on the screen for on-line dealing of cheques processing & instantly funds transfer facility.
3. The bank has in-house built-in online management information system (Dynamic Integrated Management Information System). All the regulatory compliance reports are available in cascading formats. Users are fully enabled to look at KPIs and summary reports expandable to actual transactions. The newly revamped DIMIS revolutionized ZTBL to monitor the performance of entire bank.
4. The Data Centre along with Failover Site are equipped with the Servers for the connectivity of the entire network of branches/Zonal offices. PCs and Servers are deployed at the branches and Zones/Field Offices. The ZTBL management has created culture of e-mail communication system at HO, Zonal Offices and even Branches. Similarly, the entire internal audit and inspection field force are also equipped with laptops with preinstalled audit facilitation system.
5. ZTBL is also participating in the Bank's initiative on BASEL-II Risk Management Compliance by developing Internal Credit Risk Management System (ICRM).
6. Currently, the bank initiated treasury operations at Karachi. Information System Division procured, installed and commenced treasury

application alongwith linking to PRISM - Real Time Gross Settlement (RTGS) for facilitating to be the member of Clearing House through NIFT. Failover Site at Karachi and Datacenter at Islamabad are under way.

It has been ensured that the procured ERP Solution and its allied functionalities must be conversant to ultra modern & efficient Hardware Platform (s) / Communication Network and to deploy latest & installed base version, highly scaleable, configurable, customizable, parameterize-able and testable ERP solution with following functionalities; duly compliant with the local market bank practices:

1. General Ledger/Sub-Ledgers
2. Enterprise Planning, Budgeting & Financial Analysis
3. Inventory & Fixed Asset Management
4. Cash Management
5. Receivables
6. Payables
7. Human Resource Management including
  - a. Manpower Planning
  - b. Recruitment & Selection
  - c. Compensation & Benefits
  - d. Employee Services
  - e. Employee Self-Services
  - f. Payroll
  - g. Administration
  - h. Functional & Analytical Reporting

It would be an integrated and parameterized solution which enables Banks for readily and rapidly package and enhance its services in accordance with the business plan of the Bank as per changing market conditions.





KISSAN SUPPORT SERVICES (PVT) LTD.  
**(SUBSIDIARY COMPANY OF ZTBL)**







## KISSAN SUPPORT SERVICES (PVT) LTD.

### Introduction

Kissan Support Services (Pvt) Limited was incorporated as a Zarai Taraqati Bank Limited's owned subsidiary with an Authorized Capital of Rs. 100 million fully subscribed by the Bank. It aims at providing support to ZTBL Management to focus on core banking business and assign non-core activities to its subsidiary. The KSSL is to provide all kind of support services to ZTBL and may undertake any type of non-banking business under the mandate of its Memorandum & Articles of Association for the welfare & support of farmers. The KSSL mainly provides support services to ZTBL in the following areas:-

1. Recruitment/provision of staff to ZTBL
2. Provision of support services to the farmers.
3. Security Services to ZTBL
4. Medical Services to ZTBL & KSSL employees.
5. Manage ZTBL Sports Activities
6. Mail Management Services
7. Photocopying Services to ZTBL
8. Janitorial Services to ZTBL
9. Repair & Maintenance Services to ZTBL

## REVIEW ON HUMAN RESOURCE DEPARTMENT

HR Department of KSSL was established to fulfill human resources requirements of ZTBL as and when required. It not only provides skilled clerical staff (assistant & sr. assistants) and skilled manpower (drivers, masons, carpenters, technicians darban/guards etc.) but also provides advisory/consultancy staff to facilitate operations of the Bank.

### Achievements

HR Department of KSSL provided janitorial services, photocopying services, requisite man-power to the Branches, Zonal Offices and Head office i.e. General Cadre, Technical Cadre, Clerical and Non- Clerical.

HR Department has also been providing facilities of Provision of Funeral Grant (@ Rs.10,000 per individual), group Insurance claim through EFU

Insurance Company ( @ Rs.400,000 per individual on death during service), over time allowances @ 200 hours per annum, special duty allowances to Darban for performing duties on holidays, annual increment, grant of profit bonus, even grant of house hold allowances to all female employees across the board.

## REVIEW OF MEDICAL SERVICES DEPARTMENT

Medical Services Department came into existence in 1971 under (ADBP) ZTBL. The MSD has been shifted under the administrative control of KSSL from 20<sup>th</sup> February, 2009. The department endeavours to provide admissible medical facilities to the Bank's employees and their dependents at the best available clinics/hospitals.

Medical Budget/Expenses For Last Three Years

YEAR	BUDGET Million Rs.	EXPENSES Million Rs.	BALANCE(Saving) Million Rs.
2012	96.00	87.00	9.00
2011	101.00	51.00	50.00
2010	105.00	78.00	27.00
Total	302.00	216.00	86.00

### Achievements

The facility of credit & discount of Shifa International Hospital, Islamabad has been restored for ZTBL employees after prolong negotiations. They are now agreed to provide medical facilities on 40%-60% reduced/discounted rates from their regular rates. Similarly another hospital Al Maroof International Hospital, F-10 has been enlisted on Bank's panel. Pharmaceutical companies were engaged in negotiations regarding provision of Anti viral vaccines with free PCR Tests on cheaper rates as compared to market rates. Medical Camps have also been arranged for Dengue virus victims etc.

Vaccination/immunization programs have been started at Medical Centre-II. Pathological test facilities are available to the Bank's patients on reduced rates as before.

### SECURITY DEPARTMENT ACHIEVEMENTS

Security of Bank's buildings and installations is for

most important. To achieve this purpose security department has managed the system of structural barriers/energy barriers at all the entry points. The entry points at both buildings are being monitored through CCTV system. On the instructions of competent authority 20 Kalashnikovs have been purchased by the security department KSSL for ZTBL Head Office. Security coverage has been provided to foreigners/national dignitaries visiting ZTBL

Head Office during the year, 2012. Fire fighting and emergency evacuation practices have been carried out at head office. KSSL has sent security employees to National Institute of Fire Technology Islamabad for Station Fire Officer course. One security person from each zonal office has been trained on dismantling, assembling, safety precaution and necessary maintenance of 12 bore pump action gun. Provided bank's ID cards to all ZTBL/KSSL employees.

## FINANCIAL OVERVIEW OF KSSL

### BALANCE SHEET

Sr. No.	Particulars	Amount in Million Rs.		Increase/(Decrease)	
		Dec 31, 2012	Dec 31, 2011	Rs. in Million	% age
1	Net assets	27.377	21.662	5.72	26%
2	Current assets	286.326	251.974	34.35	14%
	<b>Total Assets</b>	<b>313.703</b>	<b>273.636</b>		
3	Share Capital & Reserves	230.251	201.439	28.81	14%
4	Non Current Liabilities	46.711	37.937	8.77	23%
5	Current liabilities	36.741	34.260	2.48	7%
	<b>Total Equity &amp; Liabilities</b>	<b>313.703</b>	<b>273.636</b>		

The company's profit has increased by 2.69 % that is Rs.28.812 million as compared to previous year Rs.26.123 million.

Balance sheet shows that current assets and current liabilities have increased by 14% and 7% respectively. Current ratio is 7.79 times and quick acid test ratio is 0.913 times which is up to standard. The result shows that the liquidity position of company is very strong KSSL not only meet current obligation from current assets but non-current obligation also covered from current assets whenever required. KSSL may utilize these resources for making investment.

Balance sheet shows much addition in fixed assets and current assets. There is addition in fixed assets that results in higher turnover ratio which means that KSSL is efficient in management and utilization of its resources (assets). The KSSL Company can operate at higher level by making additional investment.

Financial position is also very strong. Asset is financed by outsiders and there is sufficient safety margin available to the creditor. Company has strong

financial, administrative control. Position of company is quite strong.

### ACHIEVEMENTS OF SUPPORTS DEPARTMENT

The performance of the ZTBL Cricket team remained well above average won 4<sup>th</sup> position in President Cup Grade-I and 3<sup>rd</sup> position in Faysal Bank One Day 2012. Bank's Cricket players M/s.Saeed Ajmal, Sohail Tanvir, Haris Sohail, Abdur Razzaq and Sarjeel Khan represented Pakistan during 2012. Saeed Ajmal declared number one bowler as pre ICC ranking.

Under 19 cricket team won National Championship organized by Pakistan Cricket Board and 1<sup>st</sup> runner's up in One day national tournament.

ZTBL Women Cricket team won 7<sup>th</sup> National Championship 2012 organized by Pakistan Cricket Board third time in a row and 1<sup>st</sup> runner up in One Day national tournament.

ZTBL Football team won Division "B" league Championship. Shooting ball team won 11<sup>th</sup> all Pakistan Shooting Ball Tournament.





# UNCONSOLIDATED FINANCIAL STATEMENTS







### **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 statement of financial position of Zarai Taraqiati Bank Limited (“the Bank”) as at 31 December 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”) for the year then ended, in which are incorporated the 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 purposes of our audit;
- b) in our opinion:
  - i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - 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





**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**ILYAS SAEED & CO.**  
Chartered Accountants

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 2012 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

**Emphasis of Matters**

Prudential Regulation 'O-3' for Corporate / Commercial Banking requires clearance of 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 588.111 million credit balance (2011: Rupees 426.418 million credit balance) which include transactions beyond the period of 30 days.

We draw attention to notes 15 and 22.2.8 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 proposal, 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

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

**Date: 29 March 2013**

**Islamabad**

**ILYAS SAEED & CO.**  
Chartered Accountants

**Name of engagement partner:**  
**Imran Ilyas**

**Date: 29 March 2013**

**Islamabad**



**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

	Note	2012	2011
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	3,524,505	3,056,462
Balances with other banks	8	9,000,562	11,176,444
Lendings to financial institutions		-	-
Investments - net	9	17,884,472	12,047,958
Advances - net	10	88,060,424	84,743,706
Operating fixed assets	11	1,180,267	1,167,167
Deferred tax assets - net	12	330,150	331,449
Other assets - net	13	11,878,974	9,944,774
		131,859,354	122,467,960
<b>LIABILITIES</b>			
Bills payable	14	294,024	208,117
Borrowings	15	51,292,157	51,257,213
Deposits and other accounts	16	11,096,956	8,962,457
Sub-ordinated loan	17	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	18	38,575,859	34,514,383
		104,463,319	98,146,493
<b>NET ASSETS</b>		<u>27,396,035</u>	<u>24,321,467</u>
<b>REPRESENTED BY</b>			
Share capital	19	12,522,441	12,522,441
Reserves	20	2,831,346	2,313,441
Unappropriated profit		10,243,364	8,171,742
		25,597,151	23,007,624
Surplus on revaluation of assets - net of tax	21	1,798,884	1,313,843
		<u>27,396,035</u>	<u>24,321,467</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

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

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

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

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

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

**ZARAI TARAQIATI BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012	2011
		Rupees In '000	
Mark-up / return / interest earned	23	11,321,385	9,510,328
Mark-up / return / interest expensed	24	3,737,388	3,794,737
Net mark-up / interest income		7,583,997	5,715,591
Provision for diminution in the value of investments - net	9.3	80	70
Provision against non-performing loans and advances - net		1,049,786	681,523
Write offs under Government relief packages		14,454	647
Bad debts written off directly		-	-
		<u>1,064,320</u>	<u>682,240</u>
Net mark-up / interest income after provisions		6,519,677	5,033,351
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		13,310	7,202
Dividend income		17,222	33,427
Income from dealing in foreign currencies		-	-
Gain on sale of securities		234,268	476
Unrealized loss on revaluation of investments classified as held for trading	9.1	(30,537)	-
Other income	25	4,182,125	3,029,214
Total non mark-up / interest income		<u>4,416,388</u>	<u>3,070,319</u>
		10,936,065	8,103,670
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	26	7,075,901	4,502,846
Provision against other assets - net	13.7	(30,938)	321,385
Other charges	27	1,694	2,280
Total non mark-up / interest expenses		<u>7,046,657</u>	<u>4,826,511</u>
		3,889,408	3,277,159
<b>EXTRA ORDINARY / UNUSUAL ITEMS</b>			
		-	-
<b>PROFIT BEFORE TAXATION</b>			
		3,889,408	3,277,159
Taxation - Current year		1,352,475	1,077,208
- Prior years		-	-
- Deferred		(52,594)	54,802
	28	<u>1,299,881</u>	<u>1,132,010</u>
<b>PROFIT AFTER TAXATION</b>			
		2,589,527	2,145,149
Unappropriated profit brought forward		8,171,742	6,455,623
Profit available for appropriation		<u>10,761,269</u>	<u>8,600,772</u>
<b>Basic earnings per share (Rupees)</b>	29	<u>2.068</u>	<u>1.713</u>
<b>Diluted earnings per share (Rupees)</b>	30	<u>2.068</u>	<u>1.713</u>

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

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

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

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**DIRECTOR**

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**DIRECTOR**

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012	2011
	Rupees In '000	
<b>PROFIT AFTER TAXATION FOR THE YEAR</b>	2,589,527	2,145,149
Other Comprehensive Income	-	-
<b>COMPREHENSIVE INCOME TRANSFERRED TO EQUITY</b>	2,589,527	2,145,149
<b>COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY</b>		
Net Change In Fair Value of Available for Sale Securities	538,935	524,084
Deferred Income Tax	(53,894)	(52,409)
	485,041	471,675
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	3,074,568	2,616,824

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

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

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

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**DIRECTOR**

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**DIRECTOR**

## ZARAI TARAQIATI BANK LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,889,408	3,277,159
Dividend income		(17,222)	(33,427)
		3,872,186	3,243,732
Adjustments for non cash charges:			
Depreciation	11.2	167,661	210,598
Amortization	11.3	19	8,753
Amortization of deferred income	18.3	(882)	(51,024)
Provision against non-performing loans and advances - net		1,049,786	681,523
Provision for diminution in the value of investments - net	9.3	80	70
Provision for employees post retirement medical benefits	34.5.6	217,218	15,272
(Reversal) / provision against other assets - net	13.7	(30,938)	321,385
Fixed assets - written off	27	3	-
Write offs under Government relief packages		14,454	647
Reversal for defined benefit plans	26	(413,253)	(454,479)
Unrealized loss on revaluation of investments classified as held for trading	9.1	30,537	-
Gain on sale of securities		(234,268)	(476)
Gain on sale of operating fixed assets	25	(17,778)	(871)
		782,639	731,398
		4,654,825	3,975,130
(Increase) / decrease in operating assets:			
Net investment in held for trading securities		(1,010,900)	-
Advances - net		(4,380,958)	(633,282)
Others assets - net		(1,065,695)	163,321
		(6,457,553)	(469,961)
Increase / (decrease) in operating liabilities:			
Bills payable		85,907	(97,923)
Borrowings from financial institutions		34,944	-
Deposits and other accounts		2,134,499	(640,315)
Other liabilities (excluding current taxation)		3,582,181	2,880,645
		5,837,531	2,142,407
Employees' benefits paid		(241,878)	(710,566)
Income tax paid		(1,271,953)	(464,197)
Net cash generated from operating activities		2,520,972	4,472,813
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(3,801,038)	100,476
Net investment in held to maturity securities		(281,990)	(3,782,246)
Dividend income received		17,222	33,427
Investment in operating fixed assets		(202,585)	(260,146)
Sale proceeds from disposal of property and equipment		39,580	6,232
Net cash used in investing activities		(4,228,811)	(3,902,257)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		-	-
Net (decrease) / increase in cash and cash equivalents		(1,707,839)	570,556
Cash and cash equivalents at beginning of the year		14,232,906	13,662,350
Cash and cash equivalents at end of the year	31	12,525,067	14,232,906

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR



**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
			Rupees in '000		
<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
Other comprehensive income for the year ended 31 December 2011	-	-	-	-	-
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
Profit after taxation for the year ended 31 December 2012	-	-	-	2,589,527	2,589,527
Other comprehensive income for the year ended 31 December 2012	-	-	-	-	-
Total comprehensive income for the year ended 31 December 2012	-	-	-	2,589,527	2,589,527
Transferred to statutory reserve	-	517,905	-	(517,905)	-
<b>Balance as at 31 December 2012</b>	12,522,441	2,771,346	60,000	10,243,364	25,597,151

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

**PRESIDENT / CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

## ZARAI TARAQIATI BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 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 (2011: 359) 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 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after 1 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.4 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year but not relevant to the Bank or do not have material impact

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

- IAS 1 - Presentation of Financial Statements (Amendments)
- IAS 34 - Interim Financial Reporting
- There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2012 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.

### 3.5. 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 2013:

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 from 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 is currently assessing the full impact of the amended IAS 19 on financial statements of the Bank.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2013 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

## 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 estimates and 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 of future events that are believed to be reasonable under the 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, investments held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments held to maturity are investments where the management has positive intention and ability to hold the same 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 Regulations issued by State Bank of Pakistan (SBP) from time to time 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 estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. 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 amounts. 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 profits 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 retirement 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' benefit 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' benefit 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 prices.

### 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 for the current year.

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 accumulated impairment losses, 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 statement of financial position 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 off.

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 amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized 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 statement of financial position date.

## 6.8 Impairment

The carrying value of assets are reviewed at each statement of financial position 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 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value and the current fair value of such assets.

**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 wherever 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 statement of financial position 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 non-performing 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). Where the debt securities are purchased at premium or discount such premium / discount is amortised through the profit and loss account over the remaining period of maturity.
- Commission income is recognized on a time proportion basis.
- Profit / (loss) on sale of investments is credited / charged to profit and loss account for the current year.
- 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.

**6.13 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 statement of financial position date and are adjusted to reflect current best estimates.

**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 statement of financial position date.

**6.15 Financial assets and financial liabilities**

Financial instruments carried in the statement of financial position 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 for the current year.

**6.16 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.

**6.17 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 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 as at 31 December 2012.

**6.19 Segment reporting**

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

**7. CASH AND BALANCES WITH TREASURY BANKS**

	Note	2012	2011
Rupees in '000			
Local currency			
In hand		1,378,401	1,187,932
Prize bonds		1,186	737
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,144,916	1,867,791
National Bank of Pakistan		2	2
		3,524,505	3,056,462

7.1 SBP requires minimum 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 of regulations issued from time to time.

**8. BALANCES WITH OTHER BANKS**

	Note	2012	2011
Rupees in '000			
In Pakistan - local currency:			
In current accounts		26,301	34,104
In deposit accounts	8.1	8,974,261	11,142,340
		9,000,562	11,176,444

8.1 These carry mark-up rates ranging from 6.00% to 12.25% per annum (2011: 5.00% to 12.86% per annum).

## 9. INVESTMENTS - NET

## 9.1 Investments by types

	Note	2012			2011		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
..... Rupees in '000 .....							
<b>Held for trading securities</b>							
Sukuk Bonds	9.7	1,041,437	-	1,041,437	-	-	-
		1,041,437	-	1,041,437	-	-	-
<b>Available-for-sale securities</b>							
Market Treasury Bills	9.6	3,280,751	-	3,280,751	-	-	-
Shares in listed companies	9.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	9.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds	9.7	20,287	-	20,287	-	-	-
Term Finance Certificates	9.9	500,000	-	500,000	-	-	-
		3,901,592	-	3,901,592	100,554	-	100,554
<b>Held-to-maturity securities</b>							
Market Treasury Bills	9.6	8,386,033	-	8,386,033	9,698,878	2,193	9,701,071
Pakistan Investment Bonds	9.8	1,336,447	-	1,336,447	-	-	-
Sukuk Bonds	9.7	859,292	-	859,292	-	-	-
Certificates of Investment	9.10	302,705	-	302,705	697,685	-	697,685
		10,884,477	-	10,884,477	10,396,563	2,193	10,398,756
<b>Subsidiary company (unlisted)</b>							
Kissan Support Services (Private) Limited	9.11	100,000	-	100,000	100,000	-	100,000
Investments at cost		15,927,506	-	15,927,506	10,597,117	2,193	10,599,310
Provision for diminution in value of investments	9.3	(11,258)	-	(11,258)	(11,178)	-	(11,178)
Investments (net of provisions)		15,916,248	-	15,916,248	10,585,939	2,193	10,588,132
Deficit on revaluation of held for trading securities		(30,537)	-	(30,537)	-	-	-
Surplus on revaluation of available-for-sale securities - net	21	1,998,761	-	1,998,761	1,459,826	-	1,459,826
<b>Investments at revalued amounts (net of provisions)</b>		<b>17,884,472</b>	<b>-</b>	<b>17,884,472</b>	<b>12,045,765</b>	<b>2,193</b>	<b>12,047,958</b>



## 9.2 Investments by segments

	Note	2012	2011
Rupees in '000			
<b>Federal Government Securities:</b>			
Market Treasury Bills	9.6	11,666,784	9,701,071
Pakistan Investment Bonds	9.8	1,336,447	-
Sukuk Bonds	9.7	1,921,016	-
		14,924,247	9,701,071
<b>Fully paid-up ordinary shares:</b>			
Listed companies	9.4	90,031	90,031
Un-listed companies	9.5	10,523	10,523
		100,554	100,554
<b>Other investments</b>			
Term Finance Certificates	9.9	500,000	-
Certificates of Investments	9.10	302,705	697,685
		802,705	697,685
<b>Investment in related party</b>			
Subsidiary company (unlisted)	9.11	100,000	100,000
Total investment at cost		15,927,506	10,599,310
Provision for diminution in value of investments	9.3	(11,258)	(11,178)
Investments (net of provisions)		15,916,248	10,588,132
Deficit on revaluation of held for trading securities		(30,537)	-
Surplus on revaluation of available-for-sale securities	21	1,998,761	1,459,826
Total investments at carrying value		17,884,472	12,047,958
<b>9.3 Particulars of provision for diminution in value of investments</b>			
Opening balance		11,178	11,108
Charge for the year		80	70
Reversals		-	-
Closing balance		11,258	11,178
<b>9.3.1 Particulars of provision in respect of type and segment</b>			
Available-for-sale securities - listed securities		735	655
Available-for-sale securities - un-listed securities		10,523	10,523
		11,258	11,178

## 9.4 Particulars of investments held in listed companies

Number of ordinary shares		Paid up value/ share		2012	2011
2012	2011	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 9.4.1)	585	585
150,000	150,000	10	Mubarik Dairies Limited (Note 9.4.2)	150	150
300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 9.4.3)	-	-
				90,031	90,031

- 9.4.1** Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.
- 9.4.2** Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.
- 9.4.3** Dadabhoj Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.
- 9.4.4** Market value of listed investments is Rupees 2,037.940 million (2011: Rupees 1,549.202 million).

**9.5 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 (Note 9.5.1)	4.78%	909,091	(8.254)	30 June 2012	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited (Note 9.5.2 & 9.5.4)	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 9.5.4)	8.33%	2,500	(141,148.03)	31 March 2012	Maj. Gen. (R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 9.5.3 & 9.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

- 9.5.1** Due to negative break up value, this investment has been fully provided for in these financial statements.
- 9.5.2** 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.
- 9.5.3** 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.
- 9.5.4** 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.
- 9.5.5** Cost of unlisted investments is Rupees 10.523 million and face value of investments in unlisted shares is Rupees 21.591 million.

**9.6 Principal terms of investments in Market Treasury Bills - Federal Government Securities**

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Feb 2013 to May 2013	On maturity	9.30 to 9.66	at maturity
Market Treasury Bills - held to maturity	Unrated	Jan 2013 to Oct 2013	On maturity	9.49 to 11.86	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 Market Treasury Bills classified as 'held to maturity'; as on 31 December 2012 is Rupees 8,382.066 million.

**9.7 Principal terms of investments in Sukuk Bonds - Federal Government Securities**

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - held for trading	Unrated	March 2015	On maturity	10.43	at maturity
Sukuk Bonds - available for sale	Unrated	May 2014	On maturity	9.26	at maturity
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	11.93	at maturity

**9.8 Principal terms of investments in Pakistan Investment Bonds - Federal Government Securities**

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds	Unrated	August 2014 to July 2017	On maturity	11.25 to 11.75	at maturity

9.8.1 Market value of Pakistan Investment Bond classified as 'held to maturity' as on 31 December 2012 is Rupees 1,294.012 million.

**9.9 Particulars of investments in Term Finance Certificates**

Name of investee	Credit Rating	Maturity period	Principal payment	Rate per annum	Coupon payment
Bank Alfalah Limited	AA-/A1+	December 2020	at maturity	Six months kibar plus 1.25%	at maturity

**9.10 Particulars of investments in Certificates of Investments**

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pak Brunei Investment Company Limited	AA/A1+	February 2013	at maturity	10.00	at maturity

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

Name of Investee	Note	Percentage of holding	Number of Shares	Break up value per share	Based on audited financial statements for the year ended	Chief executive
Rupees						
Kissan Support Services (Private) Limited (KSSL) (Ordinary shares)	9.11.1	100%	10,000,000	23.025	31 December 2012	Brig. (R) Anjum Saeed Akhtar

9.11.1 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.

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

	2012		2011	
	Market value	Credit Rating	Market value	Credit Rating
	Rupees in '000		Rupees in '000	
<b>Shares in listed companies</b>	2,037,940		1,549,122	Unrated
Nestle Pakistan Limited	Not available	Unrated	80	Unrated
Mubarik Dairies Limited	2,037,940	Unrated	1,549,202	
<b>Market Treasury Bills</b>	3,330,959	Unrated	-	
<b>Sukuk Bonds</b>	20,196	Unrated	-	
<b>Term Finance Certificates</b>	500,00	AA-/A1+	-	
	<u>5,889,095</u>		<u>1,549,202</u>	

**10. ADVANCES - NET**

	Note	2012	2011
Rupees in '000			
Loans, etc.			
In Pakistan - gross	10.1	95,242,440	92,032,077
Less:			
- Provision against non-performing advances	10.2	(7,162,553)	(7,266,212)
- Provision against staff advances		(19,463)	(22,159)
Advances - net of provision		88,060,424	84,743,706
10.1 Particulars of advances (gross)			
10.1.1 In local currency		95,242,440	92,032,077
10.1.2 Short term		55,351,482	53,662,334
Long term		39,890,958	38,369,743
		95,242,440	92,032,077

**10.2** Advances include Rupees 18,907.010 million (2011: Rupees 19,924.581 million) which have been placed under non-performing status as detailed below:

Category of classification	2012			2011		
	..... Rupees in '000 .....			..... Rupees in '000 .....		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	<b>Domestic</b>			<b>Domestic</b>		
Other assets especially mentioned	11,727,508	-	-	12,648,254	-	-
Substandard	2,409,510	481,897	481,897	2,496,927	499,380	499,380
Doubtful	2,178,666	1,089,330	1,089,330	2,020,112	1,007,544	1,007,544
Loss	2,591,326	2,591,326	2,591,326	2,759,288	2,759,288	2,759,288
	18,907,010	4,162,553	4,162,553	19,924,581	4,266,212	4,266,212
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	18,907,010	4,162,553	7,162,553	19,924,581	4,266,212	7,266,212

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

	Note	2012			2011		
		Specific	General	Total	Specific	General	Total
..... Rupees in '000 .....							
Opening balance		4,266,212	3,000,000	7,266,212	4,654,018	3,000,000	7,654,018
Charge for the year		5,790,080	-	5,790,080	3,646,103	-	3,646,103
Reversals		(4,737,600)	-	(4,737,600)	(2,966,431)	-	(2,966,431)
		1,052,480	-	1,052,480	679,672	-	679,672
Amounts written off	10.4	-	-	-	-	-	-
Amounts charged off	10.5	(1,156,139)	-	(1,156,139)	(1,067,478)	-	(1,067,478)
Closing balance		4,162,553	3,000,000	7,162,553	4,266,212	3,000,000	7,266,212



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

	2012			2011		
	Specific	General	Total	Specific	General	Total
	.....Rupees in '000.....					
In local currency	4,162,553	3,000,000	7,162,553	4,266,212	3,000,000	7,266,212

**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 355.769 million (2011: Rupees 1,057.947 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2012	2011
		Rupees in '000	
<b>10.4</b>	<b>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</b>	<b>Particulars of charged offs</b>		
<b>10.5.1</b>	Against provisions	1,156,139	1,067,478
<b>10.5.2</b>	Charge offs of Rupees 500,000 and above	-	-
	Charge offs of below Rupees 500,000	1,156,139	1,067,478
		10.7	1,067,478
<b>10.6</b>	<b>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 2012, 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 2012 was Rupees 29,441 million (Rupees 31,552 million as at 31 December 2011) with an addition of Rupees 1,156 million (Rupees 1,067 million for the year ended 31 December 2011) 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	2012	2011
		Rupees in '000	
Balance at the beginning of year		2,134,905	2,151,881
Loans granted during the year		441,729	366,283
		<u>2,576,634</u>	<u>2,518,164</u>
Repayments		(624,839)	(383,259)
Balance at the end of year		<u>1,951,795</u>	<u>2,134,905</u>
<b>11 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	272,710	166,212
Property and equipment	11.2	907,229	1,000,938
Intangible assets	11.3	328	17
		<u>1,180,267</u>	<u>1,167,167</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		242,865	138,770
Equipment		13,425	13,425
Advances to suppliers and contractors		150	150
Consultancy charges		12,791	10,447
Others		3,479	3,420
		<u>272,710</u>	<u>166,212</u>

## 11.2 Property and equipment

Description	COST				ACCUMULATED DEPRECIATION				Book value at 31 December 2012	Annual rate of Depreciation	
	At 01 January 2012	Additions	(Deletions)/ adjustments	Cost of stolen asset	At 31 December 2012	At 01 January 2012	Charge for the year	Depreciation on (deletions) / adjustments			At 31 December 2012
Land - Freehold	221,895	-	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	-	15,139	5,623	2,358	-	7,981	7,158	Lease terms for 33 to 99 years
Buildings on freehold land	140,364	6,684	-	-	147,048	51,391	4,081	-	55,472	91,576	5%
Buildings on leasehold land	337,403	10,991	-	-	348,394	109,869	3,666	-	113,535	234,859	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	3,579	882	-	4,461	16,763	5%
Furniture and fixtures	109,161	3,038	(1,601)	-	110,598	39,049	9,407	(1,075)	47,381	63,217	10% / 20%
Computer, office and other equipment	244,716	13,773	(977)	-	257,512	153,823	29,680	(728)	182,775	74,737	20% / 33.33%
Computer, office and other equipment - ADB	157,519	-	-	-	157,519	157,519	-	-	157,519	-	20% / 33.33%
Vehicles	826,025	63,865	(46,829)	(3,212)*	839,849	551,655	117,587	(25,802)	642,825	197,024	20%
<b>2012</b>	<b>2,073,446</b>	<b>98,351</b>	<b>(49,407)</b>	<b>(3,212)</b>	<b>2,119,178</b>	<b>1,072,508</b>	<b>167,661</b>	<b>(27,605)</b>	<b>(615)</b>	<b>1,211,949</b>	

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

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			At 31 December 2011
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	90,410	18,751	-	-	109,161	29,075	9,974	-	39,049	70,112	10%/20%
Computer, office and other equipment	204,990	43,209	(3,483)	-	244,716	114,086	43,211	(3,474)	153,823	90,893	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	-	157,519	142,381	15,138	-	157,519	-	20/33.33%
Vehicles	751,864	105,515	(28,142)	(3,212)*	826,025	443,765	131,295	(22,790)	551,655	274,370	20%
<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>	

\*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 QD-441	1,412	565	847	846	As per Bank policy	Ms. Roohi R. Khan, COO	Islamabad
Toyota Corolla GP-7703	1,369	800	569	569	As per Bank policy	Mr. A. D. Abid, Ex-SVP	Islamabad
Toyota Corolla PS-693	1,264	695	569	569	As per Bank policy	Mr. Ashfaq Hassan Qureshi, Ex-EVP	Islamabad
Toyota Corolla XLI KH-100	1,247	553	694	694	As per Bank policy	Mr. Rasheed Shafiq, Ex-EVP	Islamabad
Suzuki Swift QF-647	859	272	587	586	As per Bank policy	Mr. Ch. Riaz Ahmed, Ex-SVP	Islamabad
Toyota Corolla PP-998	818	390	428	428	As per Bank policy	Mr. A. D. Abid, Ex-SVP	Islamabad
Toyota Corolla PW-303	818	450	368	368	As per Bank policy	Mr. Maqsood A. Cheema, Ex-SVP	Islamabad
Suzuki Cultus PU-684	758	480	278	277	As per Bank policy	Mr. Muhammad Ifikhar, Ex-VP	Islamabad
	8,545	4,205	4,340	4,337			
Other assets having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	40,862	23,400	17,462	35,243	As per Bank policy	Bank's employees	Islamabad
	49,407	27,605	21,802	39,580			

2012                      2011  
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 0.849 million (2011: Rupees 81.595 million) and leasehold land having book value of Rupees 0.460 million (2011: Rupees 2.137 million) 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 Nil (2011: Rupees 1.473 million) have expired and are not yet renewed.



## 11.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION			Book value at 31 December 2012	Annual rate of Amortization
	At 01 January 2012	At 31 December 2012	At 01 January 2012	Charge for the year	At 31 December 2012		
	..... Rupees in '000 .....						
Computer software	826	1,156	810	19	829	327	33.33%
Computer software - ADB	80,500	80,500	80,499	-	80,499	1	33.33%
<b>2012</b>	<b>81,326</b>	<b>81,656</b>	<b>81,309</b>	<b>19</b>	<b>81,328</b>	<b>328</b>	
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	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>81,326</b>	<b>72,556</b>	<b>8,753</b>	<b>81,309</b>	<b>17</b>	

**Note**      **2012**      **2011**  
**Rupees in '000**

**12 DEFERRED TAX ASSETS / (LIABILITIES) - NET**

The details of the tax effect of taxable and deductible temporary differences are as follows:

Taxable temporary differences on:

Accelerated tax depreciation

Surplus on revaluation of assets

		(40,343)	(58,861)
21		(199,877)	(145,983)
		(240,220)	(204,844)

Deductible temporary differences on:

Provision against non-performing loans and advances

		570,369	536,293
		330,150	331,449

**13 OTHER ASSETS - NET**

Income / mark-up accrued on deposits in local currency

Income / mark up accrued on securities

Accrued interest / markup on advances

Stationery and stamps in hand

Amount recoverable from Federal Government

Crop loan insurance claim recoverable from Insurance Company

Tax recoverable

Non banking assets acquired in satisfaction of claims

Receivable from defined benefit plans

Stock of farm machinery

Advances against salary and expenses

Security deposits

Advances and other prepayments

Others

		26,744	45,613
		57,416	-
13.1		5,090,398	3,768,872
		64,985	50,029
13.2		310,106	446,388
		304,547	357,815
13.3		391,751	391,751
13.4		297,447	316,982
13.5		5,686,605	4,951,267
		13,125	13,125
		12,012	12,134
		2,400	2,304
		283,849	204,451
13.6		57,450	134,842
		12,598,835	10,695,573
13.7		(719,861)	(750,799)
		11,878,974	9,944,774

Provision held against other assets

Other assets - net of provisions

**13.1** This does not include Rupees 2,841.700 million (2011: Rupees 2,616.037 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.

**13.4** Market value of non-banking assets acquired in satisfaction of claims is Rupees 765.003 million (2011: Rupees 966.069 million).

**Note**      **2012**      **2011**  
**Rupees in '000**

**13.5 Receivable from defined benefit plans**

Pension scheme

Gratuity scheme - Staff Regulations 1975

Gratuity scheme - SR - 2005

		4,380,646	3,925,377
34.1.5		1,151,940	952,808
34.4.1.5		154,019	73,082
34.4.2.5		5,686,605	4,951,267
13.5.1			

**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.

**2012**      **2011**  
**Rupees in '000**

**13.6 Others**

Advance for purchase of machinery / goods in transit

Legal charges recoverable on suits filed against loan defaulters

Income tax recoverable from employees

		17	17
		18,415	19,851
		39,018	114,974
		57,450	134,842

**13.7 Provision held against other assets**

Opening balance

Charge for the year

Reversals

Amount written off

Closing balance

		750,799	429,414
		1,330	321,763
		(32,268)	(378)
		(30,938)	321,385
		-	-
		719,861	750,799

	Note	2012	2011
Rupees in '000			
<b>14</b>	<b>BILLS PAYABLE</b>		
	- In Pakistan	294,024	208,117
<b>15</b>	<b>BORROWINGS</b>		
	- In Pakistan	15.1	51,257,213
<b>15.1</b>	Particulars of borrowings with respect to currencies		
	- In local currency	15.2	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 & 15.5	50,174,089
	Agri-project loans	15.4 & 15.5	1,083,124
	SMEs and Agricultural loans	15.6	34,944
		51,292,157	51,257,213

- 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 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. In the tripartite meeting held on 6 June 2012, among MoF, SBP and the Bank, it was desired by the MoF that ZTBL will furnish a comprehensive and workable proposal for consideration. A proposal to this affect was sent to MoF on 15 June 2012. Last tripartite meeting among MoF, SBP and the Bank was held on 13 August 2012, where in the proposal submitted by the Bank was deliberated. MoF advised ZTBL to firm up a comprehensive proposal to be discussed in the next meeting. In this respect, working on a revised proposal is being finalized in consultation with the Board Audit Committee.

- 15.6** Under Refinance Scheme for Revival of SME's and Agricultural Activities in Flood Affected Areas introduced by SBP vide SMEFD circular number 16 of 2010 and agreement with SBP, refinance limit of Rupees 3.00 billion was sanctioned to the Bank. This loan carries mark-up at a rate of 5.00% per annum and is repayable along with mark up with in one year. This loan is secured by way of guarantee of Government of Pakistan (GoP).

	Note	2012 Rupees in '000	2011
<b>16 DEPOSITS AND OTHER ACCOUNTS</b>			
Customers - local currency			
Fixed deposits		196,182	361,334
Saving deposits	16.1	2,853,117	2,150,577
Current accounts - remunerative		142,266	169,966
Current accounts - non-remunerative	16.2	7,876,530	6,251,105
Unclaimed deposits		28,861	29,475
		<u>11,096,956</u>	<u>8,962,457</u>

16.1 This includes Rupees 30.061 million (2011: Rupees 76.717 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 64.745 million (2011: Rupees 46.907 million) as deposit of employees' benefit funds.

16.2 This includes Rupees 1.042 million (2011: Rupees 0.478 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 0.563 million (2011: Rupees 0.017 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 Bank was discussed and MoF advised the Bank to firm up a comprehensive proposal to be discussed.

	Note	2012 Rupees in '000	2011
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		29,936,318	26,464,047
Accrued expenses		288,244	101,662
Taxation (provisions less payments)		2,204,358	2,123,836
Branch adjustment account		588,111	426,418
Payable to Ministry of Food Agriculture and Livestock	18.1	176,100	176,100
Profit payable on deposits and other accounts		72,007	65,565
Net liabilities relating to Bangladesh	18.2	189	189
Provision for employees' post retirement medical benefits	34.5.4	4,244,360	4,049,164
Provision for employees' compensated absences	34.6.1	446,202	343,973
Payable to subsidiary company	38	11,794	9,836
Security deposits		21,372	13,791
Deferred income	18.3	16,765	17,647
Others	18.4	570,039	722,155
		<u>38,575,859</u>	<u>34,514,383</u>

18.1 This represents the amount of Rupees 8.100 million (2011: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2011: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.



	Note	2012	2011
Rupees in '000			
<b>18.2</b>			
Net liabilities relating to Bangladesh			
Liabilities		1,548,776	1,519,405
Assets		(1,548,587)	(1,519,216)
	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	2012	2011
Rupees in '000			
<b>18.3</b>			
<b>Deferred Income</b>			
Opening balance		17,647	68,671
Additions during the year		-	-
Amortization during the year	25	(882)	(51,024)
Closing balance		<u>16,765</u>	<u>17,647</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 income tax, contribution received from borrowers, etc.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

	2012	2011		2012	2011
	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

	2012	2011		2012	2011
	1,186,961,201	1,186,961,201	Ordinary shares of Rupees 10 each	11,869,612	11,869,612
	65,282,866	65,282,866	fully paid in cash	652,829	652,829
	<u>1,252,244,067</u>	<u>1,252,244,067</u>	Issued as bonus shares	<u>12,522,441</u>	<u>12,522,441</u>

### 19.3

Shareholder	No of ordinary shares	Paid-up value per share	2012	2011
			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		2012	2011
		Contingencies reserve			
	Rupees in '000				
Opening balance	2,253,441	60,000		2,313,441	1,884,411
Transfer from unappropriated profit	517,905	-		517,905	429,030
Closing balance	2,771,346	60,000		2,831,346	2,313,441

20.1 Statutory reserves represent 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.

	2012	2011
	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	1,948,644	1,459,826
Other securities	50,117	-
	1,998,761	1,459,826
Related deferred tax liability	(199,877)	(145,983)
	1,798,884	1,313,843

**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 30,185 million for the period from 01 July 2004 to 31 December 2012 (2011: Rupees 26,904 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 (2011: Rupees 1.708 billion) receivable from the Federal Government on account of following President Relief Packages.

	2012	2011
	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	61,168
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	296,773
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	597,341
	1,707,726	1,707,726
22.1.3 Commitments against capital expenditure	115,730	215,325
<b>22.2 Contingent liabilities</b>		
22.2.1 Contingent liabilities in respect of 654 cases (2011: 590 cases) filed against the Bank by various borrower.	8,026,383	8,682,362
22.2.2 Contingent liabilities in respect of 354 cases (2011: 340 cases) filed against the Bank in various courts of law by the employees.	1,240,130	144,994

- 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 Honorable 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 against the aforesaid decision.
- 22.2.4** Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank has filed an appeal before the CIR (A). The Bank has not accounted for the demand as tax payable, as a favourable 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, 1 March 2011, 22 July 2011 and 16 April 2012 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 4,640.154 million. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in the financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal council of the Bank.
- 22.2.6** Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard has been received, so far.
- 22.2.7** Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), against appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. The department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 which is pending adjudication.
- 22.2.8** The SBP debt of Rupees 84.398 billion (Principal Rupees 54.462 billion and mark-up Rupees 29.936 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 30.185 billion from GoP.
- 22.2.9** The civil appeals have been accepted by the Honorable Supreme Court of Pakistan vide Order dated 15 February 2013 regarding promotion of various employees to next grades. The Bank has filed review petition against this combined Order and is expecting a favourable outcome. Further, the Bank is in process to determine the financial impact of this Order.

	2012	2011
	Rupees in '000	
<b>23 MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	9,087,325	7,349,613
On investments:		
- In held for trading securities	329,174	-
- In held to maturity securities	1,102,396	1,224,384
- In available for sale securities	98,373	-
	1,529,943	1,224,384
On deposits with financial institutions	704,117	936,331
	<u>11,321,385</u>	<u>9,510,328</u>
<b>24 MARK UP / RETURN / INTEREST EXPENSED</b>		
On deposits	195,437	250,723
On borrowings and subordinated debt - State Bank of Pakistan	3,535,395	3,541,950
Bank commission and other charges	6,556	2,064
	<u>3,737,388</u>	<u>3,794,737</u>

	Note	2012 Rupees in '000	2011
<b>25 OTHER INCOME</b>			
Rent on property - KSSL - subsidiary company		7,942	9,721
Rent on property - others		16,921	20,147
		<u>24,863</u>	<u>29,868</u>
Recoveries of charged off amounts		2,942,686	2,336,874
Gain on sale of operating fixed assets		17,778	871
Loan application fee		801,990	400,834
Deferred income amortization	18.3	882	51,024
Others	25.1	393,926	209,743
		<u>4,182,125</u>	<u>3,029,214</u>
<b>25.1 OTHERS</b>			
Sale proceeds of loan application forms		46,312	18,296
Postal charges received from loanees		175,115	78,014
Accounting and other services rendered to KSSL - subsidiary company		19,440	14,370
Miscellaneous income	25.1.1	153,059	99,063
		<u>393,926</u>	<u>209,743</u>
<b>25.1.1</b>	This includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.		
<b>26 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	26.1	5,677,097	3,828,864
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	34.1.7	(444,134)	(449,696)
- Benevolent scheme - officers / executives	34.2.7	5,057	-
- Benevolent scheme - clerical / non-clerical	34.3.7	1,423	-
- Gratuity under old staff regulations	34.4.1.7	(210,267)	(177,374)
- Gratuity scheme - staff regulation 2005	34.4.2.7	132,439	140,106
- Employees' compensated absences	34.6.1	102,229	(454,479)
		<u>(413,253)</u>	<u>(941,443)</u>
Contribution to defined contribution plan - provident fund	34.7	63,284	41,102
Non-executive directors' fees and other expenses		10,995	9,304
Rent, taxes, insurance, electricity, etc.		194,072	190,134
Legal and professional charges		86,485	64,591
Communications		57,368	50,830
Repairs and maintenance		50,970	33,514
Motor vehicle expenses		335,453	293,700
Traveling expenses		140,901	112,474
Stationery and printing		74,814	61,899
Advertisement and publicity		7,816	18,365
Auditors' remuneration	26.2	5,104	4,640
Depreciation - tangible	11.2	167,661	210,598
Amortization - intangible	11.3	19	8,753
Services rendered by KSSL - subsidiary company		521,790	383,490
Commutation to employees	26.3	13,044	41,182
Others		82,281	90,849
		<u>7,075,901</u>	<u>4,502,846</u>
<b>26.1</b>	This includes post retirement medical benefit amounting to Rupees 217.218 million (2011: Rupees 15.272 million)		



**26.2 Auditors' remuneration**

	2012		Total
	Ilyas Saeed & Co.	Riaz Ahmad & Co.	
	Chartered Accountants	Chartered Accountants	
	..... Rupees in '000 .....		
Audit fee	800	800	1,600
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	<u>2,552</u>	<u>2,552</u>	<u>5,104</u>

	2011		Total
	Ilyas Saeed & Co.	Riaz Ahmad & Co.	
	Chartered Accountants	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 certifications	398	398	796
Out of pocket expenses	793	793	1,586
	<u>2,320</u>	<u>2,320</u>	<u>4,640</u>

**26.3 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	2012	2011
		Rupees in '000	
<b>27 OTHER CHARGES</b>			
Penalties imposed by SBP		1,691	2,280
Fixed assets - written off		3	-
		<u>1,694</u>	<u>2,280</u>
<b>28 TAXATION</b>			
For the year:			
Current	28.1	1,352,475	1,077,208
Deferred		(52,594)	54,802
For prior years:			
Current		-	-
		<u>1,299,881</u>	<u>1,132,010</u>

	2012	2011
	Rupees in '000	
<b>28.1 Relationship between income tax expense and accounting profit</b>		
Accounting profit for the year	3,889,408	3,277,159
Add:		
Accounting depreciation and amortization	167,680	219,351
Penalties imposed by SBP	1,691	2,280
Provision charged against non performing advances as per Prudential Regulations	1,049,786	681,523
Unrealized loss on revaluation of investments classified as held for trading	30,537	-
	1,249,694	903,154
Less:		
Tax depreciation	112,269	136,603
Provision against non performing advances allowed up to 1% of gross advances	952,424	920,321
Dividend, capital gain and rental income for separate consideration	294,131	63,771
	1,358,824	1,120,695
	3,780,278	3,059,618
Income tax - excluding dividend, capital gain and rental income	1,323,097	1,070,866
Income tax on dividend, capital gain and rental income	29,378	6,342
Income tax for the current period	1,352,475	1,077,208
Applicable tax rate	35%	35%

	2012	2011
<b>29 BASIC EARNINGS PER SHARE</b>		
Profit after tax for the year - Rupees in '000	2,589,527	2,145,149
Weighted average number of ordinary shares outstanding during the year	1,252,244,067	1,252,244,067
Basic earnings per share in Rupees	2.068	1.713

### 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 2012.

	Note	2012	2011
		Rupees in '000	
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	7	3,524,505	3,056,462
Balances with other banks	8	9,000,562	11,176,444
		12,525,067	14,232,906

		Number	
<b>32 STAFF STRENGTH</b>			
Permanent		5,724	5,789
Contractual		19	54
Total staff strength		5,743	5,843

### 33 CREDIT RATING

JCR-VIS Credit Rating Company Limited, Karachi in its report dated 12 July 2012 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2011: AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B (31 December 2011: B+ medium to long term credit rating, B short term credit 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 2012. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2012	..... % .....	2011
Valuation discount rate	11.50		13.00
Expected rate of increase in salary	9.50		10.75
Expected rate of return on plan assets	11.50		13.00
Expected rate of increase in premium	6.25		7.50

	Note	2012	2011
		Rupees in '000	
<b>34.1.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		1,503,105	1,202,368
Current service cost		37,265	35,820
Interest cost		184,860	164,620
Benefits paid		(167,314)	(97,527)
Transferred to Gratuity - SSR 1961		(11,135)	-
Actuarial loss on obligation		668,275	197,824
Present value of obligation as at 31 December		<u>2,215,056</u>	<u>1,503,105</u>
<b>34.1.4 Changes in the fair value of plan assets</b>			
Total assets as on 01 January		5,206,173	4,609,499
Expected return on plan assets		666,259	650,136
Benefits paid		(167,314)	(97,527)
Actuarial (loss) / gain on assets		(13,115)	44,065
Total assets as at 31 December		<u>5,692,003</u>	<u>5,206,173</u>
<b>34.1.5 Amounts recognized in statement of financial position</b>			
Present value of defined benefit obligation		2,215,056	1,503,105
Fair value of plan assets		(5,692,003)	(5,206,173)
Net actuarial gain not recognized		(903,699)	(222,309)
Asset recognized in the statement of financial position	13.5	<u>(4,380,646)</u>	<u>(3,925,377)</u>

	Note	2012 Rupees in '000	2011
<b>34.1.6</b>	Movement in net asset recognized		
	Opening net assets	(3,925,377)	(3,475,681)
	Credit for the year	34.1.7 (444,134)	(449,696)
	Transferred to Gratuity - SSR 1961	(11,135)	-
	Closing net asset	<u>(4,380,646)</u>	<u>(3,925,377)</u>
<b>34.1.7</b>	Income recognized in the profit and loss account		
	Current service cost	37,265	35,820
	Interest cost	184,860	164,620
	Expected return on plan assets	(666,259)	(650,136)
		<u>(444,134)</u>	<u>(449,696)</u>
<b>34.1.8</b>	Actual return on plan assets		
	Actual return on plan assets	<u>653,144</u>	<u>694,201</u>

	2012		2011		
	Fair value Rupees in '000	%	Fair value Rupees in '000	%	
<b>34.1.9</b>	Composition of fair value of plan assets				
	Government securities	3,029,815	53.23	2,744,217	52.71
	Term deposit receipts	2,642,034	46.42	2,436,956	46.81
	Deposits in the Bank	20,298	0.35	10,763	0.21
	Debtors and creditors	(144)	(0.00)	14,237	0.27
	Fair value of total plan assets	<u>5,692,003</u>	<u>100.00</u>	<u>5,206,173</u>	<u>100.00</u>

	2012	2011	2010	2009	2008	
	..... Rupees in '000 .....					
<b>34.1.10</b>	Other relevant details					
	Present value of defined benefit obligation	2,215,056	1,503,105	1,202,368	1,331,776	2,267,226
	Fair value of plan assets	(5,692,003)	(5,206,173)	(4,609,499)	(5,180,979)	(5,114,465)
	Surplus in pension fund	<u>(3,476,947)</u>	<u>(3,703,068)</u>	<u>(3,407,131)</u>	<u>(3,849,203)</u>	<u>(2,847,239)</u>
	Experience adjustment	(668,275)	(197,824)	219,527	24,259	(288,108)
	Assumptions gain / (loss)	-	-	-	-	-
	Actuarial (loss) / gain on obligation	<u>(668,275)</u>	<u>(197,824)</u>	<u>219,527</u>	<u>24,259</u>	<u>(288,108)</u>
	Experience adjustment	(13,115)	44,065	(86,595)	(70,837)	(90,270)
	Assumptions gain / (loss)	-	-	-	-	-
	Actuarial gain / (loss) on assets	<u>(13,115)</u>	<u>44,065</u>	<u>(86,595)</u>	<u>(70,837)</u>	<u>(90,270)</u>

**34.1.11** No contribution is expected in 2013 to the Pension Fund.

**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 2012. Actuarial valuation was made using the following significant assumptions:

		2012	2011
		..... % .....	
	Valuation discount rate	11.50	13.00
	Expected rate of increase in salary	9.50	10.75
	Expected rate of return on plan assets	11.50	13.00
		<b>Note</b>	
		<b>2012</b>	<b>2011</b>
		<b>Rupees in '000</b>	
<b>34.2.3</b>	Changes in the present value of obligation		
	Present value of obligation as on 01 January	211,133	177,105
	Current service cost	8,724	7,503
	Interest cost	26,558	24,558
	Benefits paid	(14,116)	(9,861)
	Actuarial loss on obligation	12,575	11,828
	Present value of obligation as at 31 December	<u>244,874</u>	<u>211,133</u>
<b>34.2.4</b>	Changes in the fair value of plan assets		
	Total assets as on 01 January	609,363	545,226
	Expected return on plan assets	78,965	77,015
	Contributions - Employer	5,057	-
	Contributions - Employees	5,057	-
	Benefits paid	(14,116)	(9,861)
	Actuarial loss on assets	(6,625)	(3,017)
	Total assets as at 31 December	<u>677,701</u>	<u>609,363</u>
<b>34.2.5</b>	Amounts recognized in the statement of financial position		
	Present value of defined benefit obligation	244,874	211,133
	Fair value of plan assets	(677,701)	(609,363)
	Unrecognized actuarial (gain) / loss	(10,495)	8,705
	Unrecognized due to impact of asset ceiling	443,322	389,525
	Asset recognized in the statement of financial position	<u>-</u>	<u>-</u>
<b>34.2.6</b>	Movement in net asset recognized		
	Opening net receivable	-	-
	Credit for the year	34.2.7 5,057	-
	Contribution to fund / benefits paid during the year	(5,057)	-
	Closing net receivable	<u>-</u>	<u>-</u>
<b>34.2.7</b>	Expense recognized in profit and loss account		
	Current service cost	8,724	7,503
	Interest cost	26,558	24,558
	Expected return on plan assets	(78,965)	(77,015)
	Contribution - Employees	(5,057)	-
	Unrecognized due to impact of asset ceiling	53,797	44,954
		<u>5,057</u>	<u>-</u>
<b>34.2.8</b>	Actual return on plan assets		
	Actual return on plan assets	<u>72,340</u>	<u>73,998</u>
		<b>2012</b>	<b>2011</b>
		<b>Fair value</b>	<b>Fair value</b>
		<b>Rupees in '000</b>	<b>Rupees in '000</b>
		<b>%</b>	<b>%</b>
<b>34.2.9</b>	Composition of fair value of plan assets		
	Government securities	365,969	347,352
	Term deposit receipts	297,748	241,570
	Deposits in the Bank	2,185	3,703
	Debtors and creditors	11,799	16,738
	Fair value of total plan assets	<u>677,701</u>	<u>609,363</u>
		<u>100.00</u>	<u>100.00</u>



	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
<b>34.2.10</b>	<b>Other relevant details</b>				
Present value of defined benefit obligation	244,874	211,133	177,105	165,502	157,652
Fair value of plan assets	(677,701)	(609,363)	(545,226)	(502,094)	(463,458)
Surplus in benevolent scheme - officers / executives	(432,827)	(398,230)	(368,121)	(336,592)	(305,806)
Experience adjustment	(12,575)	(11,828)	6,636	9,424	70,580
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(12,575)	(11,828)	6,636	9,424	70,580
Experience adjustment	(6,625)	(3,017)	(16,541)	(32,950)	(26,390)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	(6,625)	(3,017)	(16,541)	(32,950)	(26,390)
<b>34.3</b>	<b>Benevolent scheme - clerical / non-clerical</b>				
<b>34.3.1</b>	<b>General description</b>				
	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.				
<b>34.3.2</b>	<b>Principal actuarial assumption</b>				
	The latest actuarial valuation is carried out as at 31 December 2012. Actuarial valuation was made using the following significant assumptions:				
				<b>2012</b>	<b>2011</b>
				..... % .....	
Valuation discount rate				11.50	13.00
Expected rate of increase in salary				9.50	10.75
Expected rate of return on plan assets				11.50	13.00
				<b>2012</b>	<b>2011</b>
				<b>Rupees in '000</b>	
<b>34.3.3</b>	<b>Changes in the present value of obligation</b>				
Present value of obligation as on 01 January				23,370	20,014
Current service cost				1,374	1,115
Interest cost				2,935	2,759
Benefits paid				(1,642)	(1,353)
Actuarial loss on obligation				5,117	835
Present value of obligation as at 31 December				<u>31,154</u>	<u>23,370</u>
<b>34.3.4</b>	<b>Changes in the fair value of plan assets</b>				
Total assets as on 01 January				273,293	240,105
Expected return on plan assets				35,604	34,122
Contributions - Employer				1,423	-
Contributions - Employees				1,423	-
Benefits paid				(1,642)	(1,353)
Actuarial (loss) / gain on assets				(3,584)	419
Total assets as at 31 December				<u>306,517</u>	<u>273,293</u>
<b>34.3.5</b>	<b>Amounts recognized in the statement of financial position</b>				
Present value of defined benefit obligation				31,154	23,370
Fair value of plan assets				(306,517)	(273,293)
Net actuarial gain not recognized				82,590	96,029
Unrecognized due to impact of asset ceiling				192,773	153,894
Asset recognized in the statement of financial position				<u>-</u>	<u>-</u>

	Note	2012	2011
		Rupees in '000	
<b>34.3.6 Movement in net asset recognized</b>			
Opening net receivable		-	-
Credit for the year	34.3.7	1,423	-
Contribution to fund / benefits paid during the year		(1,423)	-
Closing net receivable		-	-
<b>34.3.7 Expense recognized in profit and loss account</b>			
Current service cost		1,374	1,115
Interest cost		2,935	2,759
Expected return on plan assets		(35,604)	(34,122)
Actuarial gain recognized		(4,738)	(5,174)
Contribution - Employees		(1,423)	-
Unrecognized due to impact of asset ceiling		38,879	35,422
		1,423	-
<b>34.3.8 Actual return on plan assets</b>			
Actual return on plan assets		32,020	34,541

	2012		2011	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
<b>34.3.9 Composition of fair value of plan assets</b>				
Government securities	133,141	43.44	121,139	44.33
Term deposit receipts	171,756	56.03	156,419	57.23
Deposits in the Bank	1,306	0.43	4,824	1.77
Debtors and creditors	314	0.10	(9,089)	(3.33)
Fair value of total plan assets	306,517	100.00	273,293	100.00

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
<b>34.3.10 Other relevant details</b>					
Present value of defined benefit obligation	31,154	23,370	20,014	34,041	32,555
Fair value of plan assets	(306,517)	(273,293)	(240,105)	(224,993)	(195,519)
Surplus in benevolent scheme - clerical / non-clerical	(275,363)	(249,923)	(220,091)	(190,952)	(162,964)
Experience adjustment	(5,117)	(835)	19,057	3,695	14,700
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(5,117)	(835)	19,057	3,695	14,700
Experience adjustment	(3,584)	419	(15,181)	(4,376)	(11,052)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	(3,584)	419	(15,181)	(4,376)	(11,052)

**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 2012. Actuarial valuation was made using the following significant assumptions:

	2012	2011
	..... % .....	
Valuation discount rate	11.50	13.00
Expected rate of increase in salary	9.50	10.75
Expected rate of return on plan assets	11.50	13.00

	Note	2012	2011
		Rupees in '000	
<b>34.4.1.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		-	-
Benefits paid		(11,135)	-
Addition to liability from Pension Fund		11,135	-
Present value of obligation as at 31 December		<u>-</u>	<u>-</u>
<b>34.4.1.4 Changes in the fair value of plan assets</b>			
Total assets as on 01 January		1,425,804	1,244,730
Expected return on plan assets		184,653	177,374
Benefits paid		(11,135)	-
Actuarial (loss) / gain on assets		(4,452)	3,700
Total assets as at 31 December		<u>1,594,870</u>	<u>1,425,804</u>
<b>34.4.1.5 Amounts recognized in the statement of financial position</b>			
Fair value of plan assets		(1,594,870)	(1,425,804)
Net actuarial gain not recognized		442,930	472,996
Asset recognized in the statement of financial position	13.5	<u>(1,151,940)</u>	<u>(952,808)</u>
<b>34.4.1.6 Movement in net asset recognized</b>			
Opening net assets		(952,808)	(775,434)
Credit for the year	34.4.1.7	(210,267)	(177,374)
Addition to liability from Pension Fund		11,135	-
Closing net assets		<u>(1,151,940)</u>	<u>(952,808)</u>
<b>34.4.1.7 Income recognized in profit and loss account</b>			
Expected return on plan assets		(184,653)	(177,374)
Actuarial gain recognized		(25,614)	-
		<u>(210,267)</u>	<u>(177,374)</u>
<b>34.4.1.8 Actual return on plan assets</b>			
Actual return on plan assets		<u>180,201</u>	<u>181,074</u>



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

Present value of defined benefit obligation		1,194,279	804,808
Fair value of plan assets		(1,360,616)	(1,038,563)
Net actuarial gain not recognized		12,318	160,673
Asset recognized in the statement of financial position	13.5	<u>(154,019)</u>	<u>(73,082)</u>

**Note**                      **2012**                      **2011**  
**Rupees in '000**

**34.4.2.6 Movement in net asset recognized**

Opening net assets		(73,082)	(7,947)
Charge for the year	34.4.2.7	132,439	140,106
Contribution to fund during the year		<u>(213,376)</u>	<u>(205,241)</u>
Closing net assets		<u>(154,019)</u>	<u>(73,082)</u>

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

Current service cost		182,191	174,640
Interest cost		103,054	86,502
Expected return on plan assets		(146,888)	(117,361)
Actuarial gain recognized		<u>(5,918)</u>	<u>(3,675)</u>
		<u>132,439</u>	<u>140,106</u>

**34.4.2.8 Actual return on plan assets**

Actual return on plan assets		<u>133,605</u>	<u>115,175</u>
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	2012		2011	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
<b>34.4.2.9 Composition of fair value of plan assets</b>				
Government securities	728,866	53.57	442,588	42.62
Term deposit receipts	602,820	44.30	558,840	53.81
Deposits in the Bank	17,959	1.32	19,641	1.89
Debtors and creditors	10,971	0.81	17,494	1.68
Fair value of total plan assets	<u>1,360,616</u>	<u>100.00</u>	<u>1,038,563</u>	<u>100.00</u>

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
<b>34.4.2.10 Other relevant details</b>					
Present value of defined benefit obligation	1,194,279	804,808	612,864	551,398	388,796
Fair value of plan assets	<u>(1,360,616)</u>	<u>(1,038,563)</u>	<u>(730,213)</u>	<u>(446,349)</u>	<u>(249,150)</u>
(Surplus) / deficit in gratuity under staff regulations - 2005 (SR-2005)	<u>(166,337)</u>	<u>(233,755)</u>	<u>(117,349)</u>	<u>105,049</u>	<u>139,646</u>
Experience adjustment	(129,154)	57,132	154,132	(6,896)	325
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>(129,154)</u>	<u>57,132</u>	<u>154,132</u>	<u>(6,896)</u>	<u>325</u>
Experience adjustment	(13,283)	(2,186)	(8,812)	2,028	12,019
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	<u>(13,283)</u>	<u>(2,186)</u>	<u>(8,812)</u>	<u>2,028</u>	<u>12,019</u>

Projected Gratuity Fund scheme (SR-2005) contributions for the year 2013 amounting to Rupees 236 million.

**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 2012. Actuarial valuation was made using the following significant assumptions:



		2012	2011		
		..... % .....			
Valuation discount rate		11.50	13.25		
Medical inflation rate		6.25	7.50		
	<b>Note</b>	<b>2012</b>	<b>2011</b>		
		<b>Rupees in '000</b>			
<b>34.5.3 Changes in the present value of obligation</b>					
Present value of obligation as on 01 January		1,093,841	921,360		
Current service cost		151,830	150,661		
Interest cost		140,812	130,030		
Past service cost		315,285	-		
Benefit Paid		(22,022)	(18,361)		
Actuarial loss / (gain) on obligation		243,586	(89,849)		
Present value of obligation as at 31 December		<u>1,923,332</u>	<u>1,093,841</u>		
<b>34.5.4 Amounts recognized in the statement of financial position</b>					
Present value of defined benefit obligation		1,923,332	1,093,841		
Net actuarial gain not recognized		2,463,311	2,955,323		
Past service cost not recognized		(142,283)	-		
Liability recognized in the statement of financial position	18	<u>4,244,360</u>	<u>4,049,164</u>		
<b>34.5.5 Movement in net liability recognized</b>					
Opening net liability		4,049,164	4,052,253		
Charge for the year	34.5.6	217,218	15,272		
Benefits paid during the year		(22,022)	(18,361)		
Closing net liability		<u>4,244,360</u>	<u>4,049,164</u>		
<b>34.5.6 Expense recognized in profit and loss account</b>					
Current service cost		151,830	150,661		
Interest cost		140,812	130,030		
Past service cost recognized		173,002	-		
Actuarial gain recognized		(248,426)	(265,419)		
		<u>217,218</u>	<u>15,272</u>		
<b>34.5.7 Post retirement medical benefits - sensitivity analysis</b>					
Medical cost trend (%)	5.25%	6.25%	7.25%		
Obligation (Rupees in '000)	69,312	78,541	89,752		
Regular cost (Rupees in '000)	9,543	11,004	12,795		
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	..... Rupees in '000 .....				
<b>34.5.8 Other relevant details</b>					
Present value of defined benefit obligation	1,923,332	1,093,841	921,360	2,543,255	2,512,406
Deficit in post retirement medical benefits	1,923,332	1,093,841	921,360	2,543,255	2,512,406
Experience adjustment	(243,586)	89,849	1,988,525	360,274	(138,399)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	(243,586)	89,849	1,988,525	360,274	(138,399)
<b>34.6 Employees compensated absences - unfunded</b>					
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 11.50% per annum and expected rate of increase in salary of 9.50% per annum.					

	2012	2011
	Rupees in '000	
<b>34.6.1 Movement in liability recognized for compensated absences</b>		
Opening liability	343,973	798,452
Charge / (reversal) for the year	102,229	(454,479)
Closing liability	<u>446,202</u>	<u>343,973</u>

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

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
Opening liability	343,973	798,452	1,194,349	952,253	708,771
Charged / (reversal) for the year	102,229	(454,479)	(395,897)	242,096	243,482
	<u>446,202</u>	<u>343,973</u>	<u>798,452</u>	<u>1,194,349</u>	<u>952,253</u>

#### 34.7 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2107 (2011: 2120) 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 3617 (2011: 3668) 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 63.284 million (2011: Rupees 41.102 million) in respect of this fund.

**COMPENSATION OF PRESIDENT, ACTING PRESIDENT, DIRECTORS AND EXECUTIVES**

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

	President		Acting President		Directors		Executives	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees in '000							
Fee	-	-	-	-	10,995	9,304	-	-
Managerial remuneration	1,645	-	5,969	1,021	-	-	2,275,547 *	1,905,856
Charged for defined benefit plan	229	-	365	78	-	-	129,020 **	123,479
Contribution to defined benefit or contributory fund	-	-	-	-	-	-	22,225	20,997
Rent and house maintenance	905	-	-	-	-	-	9,575	10,336
Utilities	247	-	-	-	-	-	2,689	2,584
Medical	247	-	-	-	-	-	2,250	2,929
Conveyance	222	402	-	-	-	-	1,676	2,786
Furnishing allowance	-	-	-	-	-	-	519	2,393
Club facility	11	14	-	-	-	-	-	-
	3,506	416	6,334	1,099	10,995	9,304	2,443,501	2,071,360
<b>Number of persons</b>	1	1	1	1	11	11	1,587	1,587

\* It includes an amount of Rupees 1.265 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

\*\* It includes an amount of Rupees 0.086 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

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 Car Loan Depreciation Policy (CLDP).

**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>2012</b>									
Total income	-	-	-	-	-	-	-	-	15,737,773
Total expenses	-	-	-	-	-	-	-	-	11,848,365
Net income before tax	-	-	-	-	-	-	-	-	3,889,408
Taxation	-	-	-	-	-	-	-	-	1,299,881
Income after tax	-	-	-	-	-	-	-	-	2,589,527
Segment assets (gross)	-	-	-	-	-	-	-	-	139,772,489
Segment non performing loans	-	-	-	-	-	-	-	-	18,907,010
Segment provision required	-	-	-	-	-	-	-	-	4,162,553
Segment liabilities	-	-	-	-	-	-	-	-	104,463,319
Segment return on net assets (%)	-	-	-	-	-	-	-	-	14.20%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.70%
<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%

## 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 president / 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	
	2012	2011	2012	2011
..... Rupees in '000' .....				
<b>Advances</b>				
Balance at the beginning of the year	-	-	15,934	18,075
Loan granted during the year	-	-	762	804
Repayment during the year	-	-	(2,163)	(2,945)
Balance at the end of the year	-	-	14,533	15,934
<b>Deposits</b>				
Deposits at the beginning of the year	77,195	32,044	7,784	10,625
Deposits received during the year	97,326	135,720	76,598	65,241
Deposits repaid during the year	(143,418)	(90,569)	(76,132)	(68,082)
Deposits at the end of the year	31,103	77,195	8,250	7,784
Investments at the end of the year	100,000	100,000	-	-
Payable at the end of the year	11,794	9,836	-	-
..... Rupees in '000' .....				
<b>Subsidiary company</b>				
<b>Key management personnel</b>				
	2012	2011	2012	2011
..... Rupees in '000' .....				
Mark-up / interest earned	-	-	366	654
Mark-up / interest expensed	6,865	4,991	-	-
Compensation	-	-	72,860	72,592
Post retirement benefit	-	-	4,586	4,060
Contribution to defined benefit plans	-	-	257	327
Services rendered by subsidiary company	521,790	423,044	-	-
Rent, accounting and communication charges	27,432	24,133	-	-



## 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 Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

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 2012 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 2012 is 27.27% of its risk weighted exposure.

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

- Tier I capital, which includes fully paid-up capital, unappropriated profits, general reserves and after 50% deduction for investment in the equity of subsidiary company and deduction for book value of intangibles.
- Tier II 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 I capital, revaluation reserve up to a maximum of 45 % and 50% deduction for investment in the equity of subsidiary company.
- Tier III capital has also been prescribed by the State Bank of Pakistan. However, the bank currently does not have any Tier III 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 material 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:

	2012	2011	Rupees in '000	
Capital Structure				
<b>Tier I capital</b>				
Shareholders capital	12,522,441	12,522,441		
Reserves	2,831,346	2,313,441		
Unappropriated profits	10,243,364	8,171,742		
	25,597,151	23,007,624		
Less:				
Book value of intangible	(328)	(17)		
50% deduction for investment in subsidiary company	(50,000)	(50,000)		
	(50,328)	(50,017)		
<b>Total tier I capital</b>	25,546,823	22,957,607		
<b>Tier II capital</b>				
Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323		
General provision subject to 1.25% of total risk weighted assets	1,417,758	1,364,333		
Revaluation reserve (upto 45%)	809,498	591,229		
	5,431,579	5,159,885		
Less: 50% deduction for investment in subsidiary company	(50,000)	(50,000)		
<b>Total tierII capital</b>	5,381,579	5,109,885		
<b>Eligible tier III capital</b>	-	-		
<b>Total regulatory capital base</b> (a)	30,928,402	28,067,492		
	2012	2011	2012	2011
	<b>Capital Requirements</b>		<b>Risk Weighted Assets</b>	
	Rupees in '000			
<b>Credit risk</b>				
Banks	236,600	238,395	2,366,003	2,383,949
Retail	5,582,747	5,254,195	55,827,474	52,541,953
Loans secured against residential property	65,777	71,029	657,767	710,290
Past due loans	2,060,821	2,198,250	20,608,211	21,982,496
Listed equity investments	203,794	154,920	2,037,940	1,549,202
Investments in fixed assets	117,994	116,715	1,179,939	1,167,150
Other assets	1,148,471	945,277	11,484,708	9,452,773
Total credit risk	9,416,204	8,978,781	94,162,042	89,787,813
<b>Market risk</b>				
Interest rate risk	18,225	-	227,814	-
Equity position risk	-	-	-	-
Foreign exchange risk	-	-	-	-
Total market risk	18,225	-	227,814	-
<b>Operational risk</b>				
Capital requirement for operational risks	1,521,663	1,548,706	19,020,788	19,358,820
<b>Total</b> (b)	10,956,092	10,527,487	113,410,644	109,146,633
			2012	2011
<b>Capital adequacy ratio [ (a) / (b) x 100]</b>			27.27%	25.72%

## 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 is more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report is also be generated. This enables 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 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	2012			2011		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000 .....							
Cash and cash equivalents	-	1,379,587	1,379,587	-	1,188,669	1,188,669	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	16,364,711	16,364,711	-	12,015,250	12,015,250	-
Claims on banks	-	500,000	-	500,000			
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	9,330,013	7,464,010	1,866,003	11,919,744	9,535,795	2,383,949
Claims categorized as retail portfolio	-	74,436,632	18,609,158	55,827,474	70,055,937	17,513,984	52,541,953
Claims fully secured by residential property	-	1,879,335	1,221,568	657,767	2,029,400	1,319,110	710,290
		-	-	-	-	-	-
Past due loans		14,744,457	(5,863,754)	20,608,211	15,658,369	(6,324,127)	21,982,496
Listed equity investments	-	2,037,940	-	2,037,940	1,549,202	-	1,549,202
Investments in premises, plant and equipment and all other fixed assets	-	1,179,939	-	1,179,939	1,167,150	-	1,167,150
All other assets	-	11,484,708	-	11,484,708	9,452,773	-	9,452,773
		133,337,322	39,175,280	94,162,042	125,036,494	35,248,681	89,787,813

**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 129,423 million (2011: Rupees 115,664 million) the financial assets which are subject to credit risk amounting to Rupees 114,574 million (2011: Rupees 114,576 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 14,924 million (2011: Rupees 9,701 million) are guaranteed by the Government 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 2012 the composition of equity investments and subsidiary is as follows:

Exposures	Available for sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	2,037,940	-
Equity investments - others	-	100,000
Total value	<u>2,037,940</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 1,998.761 million (2011: Rupees 1,459.901 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**

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	92,866,329	97.51%	-	-	8,026,383	38.09%
Individuals	-	-	11,000,037	99.13%	1,240,130	5.89%
Others	2,376,111	2.49%	96,919	0.87%	11,806,126	56.03%
	95,242,440	100.00%	11,096,956	100.00%	21,072,639	100.00%

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
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%
	92,032,077	100.00%	8,962,457	100.00%	17,240,753	100.00%

**40.1.8 Segments by sector**

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	23,917	0.22%	11,806,126	56.03%
Private	95,242,440	100.00%	11,073,039	99.78%	9,266,513	43.97%
	95,242,440	100.00%	11,096,956	100.00%	21,072,639	100.00%

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	1,042	0.01%	8,413,397	48.80%
Private	92,032,077	100.00%	8,961,415	99.99%	8,827,356	51.20%
	92,032,077	100.00%	8,962,457	100.00%	17,240,753	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**

	2012		2011	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000 .....			
Agriculture, forestry, hunting and fishing	18,907,010	7,162,553	19,924,581	7,266,212
Advances to employees	19,463	19,463	22,159	22,159
	18,926,473	7,182,016	19,946,740	7,288,371

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

Private	18,907,010	7,162,553	19,924,581	7,266,212
Advances to employees	19,463	19,463	22,159	22,159
	18,926,473	7,182,016	19,946,740	7,288,371

## 40.1.11 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000 .....			
Pakistan	3,889,408	131,859,354	27,396,035	21,072,639

	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

## 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.

Effective Yield / Interest rate	Total	2012										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	3,524,505	-	-	-	-	-	-	-	-	-	-	-	3,524,505
Balances with other banks	9,000,562	6,800,562	1,700,000	-	500,000	-	-	-	-	-	-	-	-
Investments - net	17,784,472	7,347,146	2,184,803	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,037,940	100,000	-	100,000
Advances - net	88,060,424	27,652,545	77,035	1,221,324	24,539,021	15,707,158	7,206,683	8,482,200	2,741,679	261,204	-	-	171,575
Other assets - net	11,053,402	-	-	-	-	-	-	-	-	-	-	-	11,053,402
	129,423,365	41,800,253	3,961,838	2,670,184	25,977,909	16,150,435	9,451,971	9,020,470	3,241,679	2,299,144	-	-	14,849,482
<b>Liabilities</b>													
Bills payable	294,024	-	-	-	-	-	-	-	-	-	-	-	294,024
Borrowings	51,292,157	22,246,402	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-	-	-
Deposits and other accounts	11,096,956	2,930,848	-	57,879	4,278	-	55,456	773	65	-	-	-	8,047,657
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323	-	-	-
Other liabilities	35,163,420	-	-	-	-	-	-	-	-	-	-	-	35,163,420
	101,050,880	25,177,250	-	1,766,453	4,278	3,417,148	3,472,604	6,835,068	13,668,655	3,204,323	-	-	43,505,101
<b>On-balance sheet gap</b>	28,372,485	16,623,003	3,961,838	903,731	25,973,631	12,733,287	5,979,367	2,185,402	(10,426,976)	(905,179)	-	-	(28,655,619)
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest rate sensitivity gap</b>	28,372,485	16,623,003	3,961,838	903,731	25,973,631	12,733,287	5,979,367	2,185,402	(10,426,976)	(905,179)	-	-	(28,655,619)
<b>Cumulative yield / interest rate sensitivity gap</b>	28,372,485	16,623,003	20,584,841	21,488,572	47,462,203	60,195,490	66,174,857	68,360,259	57,933,283	57,028,104	-	-	28,372,485
<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	129,423,365												101,050,880
<b>Add non-financial assets:</b>													
Investment in subsidiary company	100,000												3,412,439
Operating fixed assets	1,180,267												104,463,319
Deferred tax - net	330,150												
Other assets	825,572												
Total assets as per statement of financial position	131,859,354												
Total financial liabilities													101,050,880
Add non-financial liabilities:													
Other liabilities													3,412,439
Total liability as per statement of financial position													104,463,319

40.3.1 Mismatch of interest rate sensitive assets and liabilities

	Effective Yield / Interest rate	2011							Not exposed to Yield / Interest risk			
		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		Above 5 to 10 years		
..... Rupees in '000 .....												
On-balance sheet financial instruments												
<b>Assets</b>												
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	3,056,462			
Balances with other banks	8.79	7,051,194	4,091,146	-	-	-	-	-	34,104			
Investments - net	12.36	3,442,271	4,458,833	2,497,652	-	-	-	-	1,549,202			
Advances - net	9.00	28,803,624	1,107,291	3,347,168	19,024,822	14,516,193	7,861,972	3,286,898	198,720			
Other assets - net	-	-	-	-	-	-	-	-	4,739,027			
		115,663,597	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	
Borrowings	6.09	22,211,458	1,708,574	-	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-	
Deposits and other accounts	5.00	2,258,062	59,962	168,326	-	-	53,455	1,581	-	-	6,421,071	
Sub-ordinated loans	12 month T-Bill rate	-	-	-	-	-	-	-	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	89,621	(24,605,018)	
Off-balance sheet gap									(13,586,015)	-	-	-
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	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	24,478,142	

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	115,663,597	91,185,455
Add non-financial assets:		
Investment in subsidiary company	100,000	6,961,038
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	98,146,493
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

## 40.4

## 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

2012

	Rupees in '000 .....									
	Total	Upto 1month	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	3,524,505	3,524,505	-	-	-	-	-	-	-	-
Balances with other banks	9,000,562	6,800,562	1,700,000	-	500,000	-	-	-	-	-
Investments - net	17,884,472	7,447,146	2,184,803	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,137,940
Advances - net	88,060,424	27,296,471	95,593	1,248,476	24,590,506	15,761,774	7,255,187	8,561,563	2,871,147	379,707
Other assets - net	11,878,974	2,682,517	421,493	417,355	2,087,491	829,766	624,369	1,064,854	1,005,425	2,745,704
Deferred tax assets - net	330,150	-	-	-	-	-	-	330,150	-	-
Operating fixed assets	1,180,267	216,024	44,018	144,722	132,054	60,395	23,207	42,586	89,961	427,300
	131,859,354	47,967,225	4,445,907	3,259,413	28,248,939	17,095,212	10,148,051	10,537,423	4,466,533	5,690,651
<b>Liabilities</b>										
Bills payable	294,024	294,024	-	-	-	-	-	-	-	-
Borrowings	51,292,157	22,246,402	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-
Deposits and other accounts	11,096,956	10,978,505	-	57,879	4,278	-	55,456	773	65	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	38,575,859	1,139,466	358,218	29,997,222	1,213,940	1,317,940	224,286	591,142	1,037,125	2,696,520
	104,463,319	34,658,397	358,218	31,763,675	1,218,218	4,735,088	3,696,890	7,426,210	17,910,103	2,696,520
<b>Net assets</b>	27,396,035	13,308,828	4,087,689	(28,504,262)	27,030,721	12,360,124	6,451,161	3,111,213	(13,443,570)	2,994,131
Share capital	12,522,441									
Reserves	2,831,346									
Unappropriated profit	10,243,364									
Surplus on revaluation of assets - net of tax	1,798,884									
	27,396,035									



40.4.2 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	4,091,147	-	-	-	-	-	-	-	-
Investments - net	12,047,958	3,442,271	4,458,833	2,497,652	19,024,822	14,516,193	6,507,397	7,861,972	3,286,898	1,649,202
Advances - net	84,743,706	29,002,344	1,107,291	3,347,168	19,024,822	319,345	213,994	292,248	49,380	89,621
Other assets - net	9,944,774	1,812,090	2,525,068	1,949,962	2,727,764	-	-	331,449	-	54,923
Deferred tax assets - net	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									

**40.5 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 28 March 2013 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.

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

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**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 2012

Sr. No.	Name and address of the borrower	3 Name of individual / partners / directors	4 NIC number	5 Father's / husband's name	6 Outstanding liabilities at beginning of the year				9 Total	10 Principal charged off	11 Interest charged off	12 Other financial relief / waiver provided	13 Total (10+11+12) Total
					6 Princi- pal	7 Interest	8 Others	9 Total					
1	ABDUL QAYOOM VILLAGE BANDI IMAIRA, ABBOTABAD	ABDUL QAYOOM	121-55-364895	MIR HUSSAIN	0.099	0.438	-	0.537	-	0.524	-	0.524	
2	JUMA KHAN C/O GULAM SHAH USTA MOHD MUHD HUSSAN	JUMA KHAN MUHD HUSSAN	608-30-045833 607-22-027820	MUHD BUX RAZA MUHD	0.107	1.263	-	1.370	0.107	1.155	-	1.262	
3	DILI JAN SOBHAWAH	DILI JAN	607-62-104318	ABDULLAH	0.060	0.533	-	0.593	0.060	0.501	-	0.561	
4	YAR MOHD MOUZA FARIDABAD	YAR MOHD	621-53-036482	MOHD YOUSAF	0.051	0.887	-	0.938	-	0.867	-	0.867	
5	MIR GHULAM MOHAMMAD NOUZBAND	MIR GHULAM MOHAMMAD	607-51-026093	JAN MOHAMMAD	0.122	1.176	-	1.297	0.122	1.128	-	1.249	
6	KHAMISO DEH DADAH, TANDO BHAGO	KHAMISO	458024017232	KHAIR MOHAMMAD	0.106	0.532	-	0.638	-	0.567	-	0.567	
7	GHULAM MUSTIFA DEH KARI MUHAMMAD ALI, TANDO GHULAM ALI	GHULAM MUSTIFA	456-59-155433	GHULAM HAYDAR	0.095	0.657	-	0.752	0.095	0.657	-	0.752	
8	MST IMAM ZADI VILL. KORAIKI, TANDO ALLAHYAR	MST IMAM ZADI	454-50-212956	SHAH NAWAZ	-	0.607	-	0.607	-	0.607	-	0.607	
9	MUHAMMAD HUSSAIN MIAN WALA TEH PINDI GHEB	MUHAMMAD HUSSAIN	205-31-028083	ABDULLAH SHAH	0.305	0.303	-	0.608	0.305	0.202	-	0.507	
10	M/S INDUS VALEY SOLVENT OIL 7-A SUNSET BOULEVARD DHA, PHASE II, KYC 7/B, 4TH CENTRAL LANE, DHA, KARACHI 7-B 4TH CENTRAL LANE DHA 7/A SUNSET BOULEVARD, DHA, PHASE II, KYC 7-B 4TH CENTRAL LANE DHA PHASE II, KYC. 7-A SUNSET BOULEVARD DHA PHASE II, KYC 7-A SUNSET BOULEVARD DHA, PHASE II, KYC	ABDUL HAFIZ PIRZADA SHAFIQ ALI SYED TAUFIQ ALI SYED MISS SEHAR PIRZADA MRS. PERVEEN TAUFIQ ALI ABDUL HASEEB PIRZADA MRS. SADIA PIRZADA AFZAL ALI KHAN	101-35-000020 514-41-095366 513-39-002178 101-88-317620 513-39-002179 101-86-216737 101-88-000021 422-0175210-71	LATE ABDUS SATTAR PIRZADA LATE RAZA ALI SYEED LATE RAZA ALI SYEED D/O ABDUL HAFEEZ PIRZADA W/O TAUFIQ ALI SYEED ABDUL HAFEEZ PIRZADA W/O ABDUL HAFEEZ PIRZADA AMIN NOOR KHAN	110.017	18.729	-	128.745	-	105.753	-	105.753	
11	E-128 PECHS BLOCK 2 PECHS, KARACHI MIRZA IQBAL ALI B-383 BLOCK-13 F.B AREA	MIRZA IQBAL ALI	421-01340605-00	MIRZA AZIZ MISRI	0.092	0.872	-	0.965	-	0.965	-	0.965	
12	MIR MOHAMMAD K.BR COLONY BROHI GOTH, GADAP	MIR MOHAMMAD	501-39-638094	PIR MOHAMMAD	0.092	0.872	-	0.965	-	0.965	-	0.965	
13	M/S BIO TEK LIMITED 159/A DHA, LAHORE 36 SAIGAL ESTATE, LAHORE 58 DIL KHUSHA BAGH MODEL TOWN, LHR 114-A/3, GULBERG III, LAHORE	JAVED QURESHI HUMA MALIK SHAMSUL ISLAM KHAN ABU SHOAB ISLAHI	3520015299705 270-50-384255 272-49-253412 270-62-348319	MUZZAFFAR UD DIN D/O NAZIR AHMED M I KHAN ABU SALEH ISLAHI	1.562	0.131	-	1.693	-	1.123	-	1.123	
14	M/S F.Z. TANNERS PVT LTD.	M. SAFDAR BAJWA	277-22-096351	CH. SHER MUHAMMAD	9.420	5.139	-	14.559	-	14.559	-	14.559	

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 2012

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) Total
					Princi-pal	Interest	Others	Total				
15	1 TUFAIL ROAD, LAHORE CANTT M/S F.Z TANNERS 1 TUFAIL ROAD, LAHORE CANTT 1 TUFAIL ROAD, LAHORE CANTT 107/108 VALATATABAD COLONY, MULTAN 107/108 VALATATABAD COLONY, MULTAN MST ZEEB ELLAHI VILL LAHO, KANGANPUR	ZUBAIR AHMED BAJWA FARIS JAMIL CH. ABDUL KARIM CH. NAVEED KARIM MST ZEEB ELLAHI	277-56-096358 277-63-096354 322-38-286522 322-86-286524 279-36-134465	M. SAFDAR BAJWA M SAFDAR BAJWA CH. HAKAM DIN CH. ABDUL KARIM MOHAMMAD AMIN	2.367	1.951	-	4.318	-	1.491	-	1.491
16	ABDUL RAHEEM VILL MEHAR SHAH, JECOBABAD ABDUL HAMEED VILL MEHAR SHAH JECOBABAD	ABDUL RAHEEM ABDUL HAMEED	401-47-100674 401-42-330991	GANHWER KHAN ABDUL KAREEM	0.107	0.848	-	0.955	-	0.928	-	0.928
17	ADAM KHAN UMRANI PUR JECOBABAD	ADAM KHAN	401-56-189797	ABDUL MAJEED UMRANI	0.117	1.064	-	1.181	-	0.999	-	0.999
18	MUHAMMED SADIQUE UMRANI PUR JECOBABAD	MUHAMMED SADIQUE	401-42-182003	ABDUL MAJEED UMRANI	0.117	1.056	-	1.172	-	1.049	-	1.049
19	ABDUL SATTAR KHAN DEH JAWAL BARAGH, KANDKOT	ABDUL SATTAR KHAN	403-00-541178	MAIR FATEH KHAN	0.084	0.775	-	0.859	-	0.832	-	0.832
20	FAQEER MUHAMAD DEJ JAWAL BARGH, KANDKOT	FAQEER MUHAMAD	403-47-115169	SHAFI MUHAMMAD	0.089	1.090	-	1.178	-	1.040	-	1.040
21	AKBER ALI HAZOOR BUX NINDWANI JAMAL	AKBER ALI	403-47-115169	SOHRABALI	0.067	1.129	-	1.196	-	1.129	-	1.129
22	HAJI ABDUL RASHID DEH SAHO GANGHRO, NAUDERO	HAJI ABDUL RASHID	422-00-022154	KARAM KHAN BROHI	0.047	0.510	-	0.557	-	0.557	-	0.557
23	MST FARIDA BEGEUM NEAR MAGSI MUHALLA SHIKARPUR	MST FARIDA BEGEUM	41055013249	GHULAM HUSSAIN	0.079	0.650	-	0.728	-	0.645	-	0.645
24	ADYO KHAN GADAALI, BHANGWAR, KASHMORE	ADYO KHAN	402-31-051831	GADAALI KAHN	0.113	1.395	-	1.508	-	1.394	-	1.394
25	MUHAMMAD AYOOB KHAN VILL. THARIRI PO TALUKA THUL	MUHAMMAD AYOOB KHAN	411-63-070179	ABDUL KARIM KHAN	0.098	0.561	-	0.658	-	0.552	-	0.552
26	DIL MURAD SAIDO KOT DEH TALU THUL PIR JAN	DIL MURAD	40449150377	NABI BUX	0.110	0.984	-	1.094	-	0.945	-	0.945
27	SAIDO KOT DEH TALU THUL PAHRYDIN SAIDO KOT ALAM GIR KHAN	SAIDO KOT DEH TALU THUL PAHRYDIN SAIDO KOT	40436040124 40459150379	NABI BUX NABI BUX NABI BUX	0.100	0.498	-	0.598	-	0.558	-	0.558
28	BARA BANDA TEH KABAL SYED YOUSAF JAN KUMBAR	SYED YOUSAF JAN	505-47-062410 108-46-000423	JEHAN GIR KHAN SYED BASHAH GUL JAN	0.112	0.462	-	0.574	-	0.574	-	0.574
29	ABDUL MAJID VILLAGE 170 DEH DIGRI	ABDUL MAJID	4779219025523	DR FERROZDIN	1.898	2.573	-	4.471	-	3.094	-	3.094
30	NAZAR MUHAMMAD DEH DADI, TALUKA TANDO ADAM, SANGHAR GHULAM MUHAMMAD DEH DADI, TALUKA TANDO ADAM, SANGHAR	NAZAR MUHAMMAD GHULAM MUHAMMAD	428-89-070675 488-86-032892	SHAH NAWAZ KHAN SHAH NAWAZ KHAN	5.004	11.375	-	16.379	-	8.672	-	8.672
31	M/S FALIK ENTERPRISES VILLAGE KOTHEY WALA, MULTAN	FALIK SHER	36303-2011735	SIKANDER KHAN	-	-	-	-	-	-	-	-

ZARAI TARAQIATI BANK LIMITED  
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OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2012

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) Total
					Princi- pal	Interest	Others	Total				
32	VILLAGE KOTHEY WALA, MULTAN VILLAGE KOTHEY WALA, MULTAN VILLAGE KOTHEY WALA, MULTAN M/S AL SEEMI COTTON GINNING  H. NO.15 QUAIDE AZAMI ROAD MULTAN 15 MALL ROAD MULTAN CANITT H NO 1854 KHANEWAL ROAD H NO 573 DI KHAN H NO 1051 KHANEWAL ROAD MULTAN H NO 1054 KHANEWAL ROAD MULTAN 15MALL ROAD MULTAN 174/D PECHS, KARACHI 15 WALL ROAD MULTAN 15 WALL ROAD MULTAN RASHIDA BEGUM NASEER PUR	ALTAF AHMAD KHIZER HAYAT HASHMAT BIBI S. MUHAMMAD SOHAIB BUKHARI  SIDDIQUE AKBER BUKHARI SALAHUDDIN KHAN SAMINAALI ZIA SHAISTA ALIZIA ZAHIDA SALAHUDDIN JAHAN ARA SADIQ DR. SAIMA BUKHARI FUHAIRAKBAR SHUJAUDDIN KHAN RASHIDA BEGUM	99212-85127926 99323-50415161 99323-59420342 322-61-518240  322-34-518238 322-40-082453 149-63-401795 322-64-758540 322-41-608958 322-40-518239 322-85-518241 322-86-734444 322-86-608958 3229529032687	ABDUL GHANI SIKANDER KHAN FALAK SHER MUHAMMAD SIDDIQUE BUKHARI  SYED ABDUL GHANI BUKHARI NAGSHBAND KHAN W/O HAFEZULLAH KHAN W/O AZMAT KHAN W/O SALAHUDDIN KHAN W/O SIDDIQUE AKBER BUKHARI D/O SIDDIQUE AKBER BUKHARI FAROOG AKBAR BUKHARI SALAHUDDIN KHAN MUHAMMAD NAWAZ	1.250	1.265	-	2.515	-	1.992	-	1.992
33	RASHIDA BEGUM NASEER PUR			MUHAMMAD NAWAZ	0.415	0.271	-	0.685	-	0.678	-	0.678
34	ALI MOHAMMAD KHAN VILL GORAH, TEHSIL PLANDRI, DISTT. SUDH- NOTIAK MAKTHAR KHAN GORAH GORAH	ALI MOHAMMAD KHAN MAKTHAR KHAN ABDUL KHALAQ	8240147182512 8240150162212 8240124724933	HUSHMAT ALI KHAN M YOUQAB KHAN RAJ MOHAMMAD KHAN	0.490	0.677	-	1.167	-	0.657	-	0.657
35	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	4.350	9.597	-	13.947	-	9.440	-	9.440
36	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.496	0.687	-	1.182	-	0.662	-	0.662
37	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.493	0.471	-	0.963	-	0.607	-	0.607
38	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.499	0.587	-	1.086	-	0.652	-	0.652
39	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.325	0.527	-	0.852	-	0.525	-	0.525
40	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.113	0.862	-	0.975	-	0.875	-	0.875
41	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.565	1.261	-	1.826	-	1.258	-	1.258
42	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.263	0.543	-	0.806	-	0.536	-	0.536
43	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.105	0.902	-	1.007	-	0.902	-	0.902
44	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.391	0.581	-	0.972	-	0.581	-	0.581
45	NIJAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN M.URS DEF. 9 DAD. TALUKA DAUR, NAWABSHAH	NIJAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA QADIR BUX M.URS NAEEM ABBAS	315-42-111110 315-44-257720 31843-358067 318 55 313008 318 13 325649 45402-0498241-7	UMER BUX UMER BUX HAJI AHMED ALLAH BUX ALI MUHAMMAD H. JUMA KHAN	0.030	0.888	-	0.918	-	0.843	-	0.843



**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 2012**

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) Total
					Princi- pal	Interest	Others	Total				
	MOHD HAYAT KODI	MOHD HAYAT	626-45-014141	GHAZI KHAN								
46	MIAN KHAN DAIRY FARM VILL ARAM BAGH, KHUZDAR MIAN KHAN DAIRY FARM MOUCH GOJTH	MIAN KHAN MIAN KHAN	641-86-180575 641-86-180575	ALI MOHD ALI MOHD	2.270	5.852	-	8.121	-	4.476	-	4.476
47	MUHAMMAD YOUSAF VILL MEHANDAR, TEHSIL WADH VILLAGE BADRY, WADH	MOHAMMAD YOUSAF MIR AHMED KHAN	51403-42123467 627-44-005934	H M SHARIF MIR SHER MUHAMMAD	0.092	0.566	-	0.658	-	0.635	-	0.635
48	MIR AHMED KHAN VILLAGE BADRY, WADH	MIR AHMED KHAN	627-44-005934	MIR SHER MUHAMMAD	0.583	1.247	-	1.830	-	0.664	-	0.664
49	AMIR KHAN VILL CHACHAZAI PANJPAI, QUETTA	AMIR KHAN	54400-61939869	SHAHBAZ KHAN	0.381	0.506	-	0.887	-	0.602	-	0.602
50	MST LATIF BEGUM CHAK FAIZ AHMED	MST LATIF BEGUM	9835936375577	SARDAR M. NAWAZ KHAN	0.051	0.871	-	0.922	-	0.846	-	0.846
51	EJAZ AHMAD 599-B/1 PERNAMI MOHALLA SAHIWA ATAZAZ AHMAD	EJAZ AHMAD ATAZAZ AHMAD	333-53-145115 333-85-084743	MUHAMMAD HASSAN MUHAMMAD HASSAN	4.573	4.565	-	9.138	-	4.195	-	4.195
	GHALI NO. 3, Z BLOCK, TARIQ BIN ZIAD COLONY, SWL	MST ZENAB	333-33-084742	MUHAMMAD HASSAN								
	MST ZENAB 599/B-1 PERNAMI MOHALA SAHIWAL	MST ZENAB	333-33-084742	MUHAMMAD HASSAN								
	RAZIA BEGUM H.NO. B-17,681, MOHALLAH AZIZABAD, GUJRAT	RAZIA BEGUM	224-49-141109	MUHAMMAD HASSAN								
52	SHENAZ BEGUM 599/B-1 PERNAMI MOHALA SAHIWAL MUHAMMAD MAZHAR H.NO 7, 28-A CIVIL LINE, SAHIWAL TARIQ MAHMOOD 139/EB, ARIFWALA, SAHIWAL SHAHID IQBAL 139/EB, ARIFWALA, SAHIWAL 139/EB, ARIFWALA, SAHIWAL	SHENAZ BEGUM MUHAMMAD MAZHAR TARIQ MAHMOOD SHAHID IQBAL MUHAMMAD KHAN	333-33-084742 333-86-034648 338-54-027639 35200-2817131-3 338-1727024-6	MUHAMMAD HASSAN MUHAMMAD ANWAR MUHAMMAD KHAN KHUDA DAD KHAN ATTA MUHAMMAD	1.319	1.944	-	3.263	-	1.920	-	1.920
53	MUHAMMAD KHAN 139/EB, ARIFWALA, SAHIWAL	MUHAMMAD KHAN	338-1727024-6	ATTA MUHAMMAD	0.762	0.699	-	1.461	-	0.699	-	0.699
54	QASIM ALI 53 SP ARIFWALA, SAHIWAL	QASIM ALI	338-2714359-8	NIZAM DIN	0.494	0.587	-	1.081	-	0.547	-	0.547
55	SARDAR AHMAD HASO HASSAN KA, QABOOLA TOWN, SWL	SARDAR AHMAD	36401-6737077-3	MANZOOR AHMAD	0.698	0.882	-	1.580	-	0.572	-	0.572
56	ALLAH YAR HASOO HASSAN KA, QABOOLA TOWN, SWL	ALLAH YAR	337-48-132969	MANZOOR AHMAD	0.768	0.947	-	1.715	-	0.895	-	0.895
57	MST ANWER BEGUM HUSOO HASSAN KA, QABOOLA TOWN SWL	MST ANWER BEGUM	36401-2877215-8	ALLAH YAR KHAN	0.809	0.977	-	1.786	-	0.548	-	0.548
58	ABDUL GHAFAR HASOO HASSAN KA, QABOOLA TOWN SWL	ABDUL GHAFAR	36401-8816567-7	AHAMD YAR	0.806	0.993	-	1.799	-	0.590	-	0.590
59	MOHAMMAD AKRAM CHAK 44 TEHSIL GOJRA, DISTT. FSD	MOHAMMAD AKRAM	226-45-029769	ATTA MUHAMMAD	0.053	0.772	-	0.825	0.063	0.720	-	0.772
60	MOHAMMAD AKRAM CHAK 44 TEHSIL GOJRA, DISTT. FSD	MOHAMMAD AKRAM	226-45-029769	ATTA MUHAMMAD	0.033	0.512	-	0.545	0.033	0.478	-	0.512

**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 2012**

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) Total	
					Princi- pal	Interest	Others					
61	MUHAMMAD BASHIR VILL. RAMKEY, TEHSIL PASRUR, SJALKOT	MUHAMMAD BASHIR	305-30-065774	SULTAN ALI	0.191	0.646	-	0.837	0.600	-	0.600	
62	M/S KHICHI COTTON GINNING VILLAGE SHER GARH, THE & DISTT. VEhari	WALAYAT HUSSAIN	328-64-018187	NOOR MOHAMMAD	2.720	3.736	-	6.456	1.950	-	1.950	
63	M/S KHICHI COTTON GINNING VILLAGE SHER GARH, THE & DISTT. VEhari	WALAYAT HUSSAIN	144-36-838845	NOOR MUHAMMAD	1.310	1.519	-	2.828	0.868	-	0.868	
64	MST ZAHIDA PERVEEN VILLAGE WALKO, TEHSIL MAILSI	MST ZAHIDA PERVEEN	36602-8517501-0	MIAN NOOR MUHAMMAD	3.037	0.063	-	3.100	2.341	-	2.341	
65	MUHAMMAD ADNAN NOOR VILLAGE WALKO, TEHSIL MAILSI	MUHAMMAD ADNAN NOOR	36602-4198617-5	NOOR MUHAMMAD KHAN	3.120	0.255	-	3.375	2.728	-	2.728	
66	MUHAMMAD FARHAN VILLAGE WALKO, TEHSIL MAILSI	MUHAMMAD FARHAN	36602-0783027	MIAN NOOR MUHAMMAD	3.113	0.804	-	3.917	3.306	-	3.306	
67	MST. AMBREEN NOOR VILLAGE WALKO, TEHSIL MAILSI	MST. AMBREEN NOOR	36302-1215120-2	MIAN NOOR MUHAMMAD KHAN	3.022	0.386	-	3.407	2.196	-	2.196	
68	NOOR MUHAMMAD KHAN VILLAGE WALKO, TEHSIL MAILSI	NOOR MUHAMMAD KHAN	36602-9991770-1	GHULAMI MUHAMMAD KHAN	2.895	-	-	2.895	2.170	-	2.170	
69	MUHAMMAD SHAHBAZ VILLAGE NIAZ PUR, TEHSIL MAILSI	MUHAMMAD SHAHBAZ	325-48-105077	TAJ MUHAMMAD	0.814	0.908	-	1.722	0.503	-	0.503	
70	FATEH MUHAMMAD KHAN VILLAGE ALI WAH, TEHSIL MAILSI	FATEH MUHAMMAD KHAN	325-42-177700	GUL MUHAMMAD KHAN	0.683	0.725	-	1.408	0.688	-	0.688	
71	MUHAMMAD AMIN VILLAGE BHADAH, TEHSIL MAILSI	MUHAMMAD AMIN	36602-2838758-2	DUR MUHAMMAD	0.855	0.980	-	1.835	0.958	-	0.958	
					178.877	111.361	-	290.237	0.775	211.864	-	212.639



**CONSOLIDATED**  
**FINANCIAL STATEMENTS**





**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 Taraqiati Bank Limited (“the Bank”) and its subsidiary company as at 31 December 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity together with the notes forming part thereof, 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 Taraqiati Bank Limited. The financial statements of subsidiary company Kissan Support Services (Private) Limited were audited by 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 Ilyas Saeed & Co., Chartered Accountants. These financial statements are the responsibility of the Holding Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

**Emphasis of matters**

Prudential Regulation ‘O-3’ for Corporate / Commercial Banking requires clearance of 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 588.111 million credit balance (2011: Rupees 426.418 million credit balance) which include transactions beyond the period of 30 days.

We draw attention to notes 15 and 22.2.8 to these consolidated financial statements, which fully





**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**ILYAS SAEED & CO.**  
Chartered Accountants

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 proposal, 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

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

**Date: 29 March 2013**

**Islamabad**

**ILYAS SAEED & CO.**  
Chartered Accountants

**Name of engagement partner:**  
**Imran Ilyas**

**Date: 29 March 2013**

**Islamabad**

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

	Note	2012	2011
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	3,524,505	3,056,462
Balances with other banks	8	9,176,810	11,301,812
Lendings to financial institutions		-	-
Investments - net	9	17,814,472	11,947,958
Advances - net	10	88,060,424	84,743,706
Operating fixed assets	11	1,182,211	1,169,361
Deferred tax assets - net	12	355,584	350,918
Other assets - net	13	11,852,602	9,944,704
		131,966,608	122,514,921
<b>LIABILITIES</b>			
Bills payable	14	294,024	208,117
Borrowings	15	51,292,157	51,257,213
Deposits and other accounts	16	11,065,853	8,885,263
Sub-ordinated loan	17	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	18	38,583,967	34,537,103
		104,440,324	98,092,019
<b>NET ASSETS</b>		<u>27,526,284</u>	<u>24,422,902</u>
<b>REPRESENTED BY</b>			
Share capital	19	12,522,441	12,522,441
Reserves	20	2,829,977	2,312,072
Unappropriated profit		10,374,982	8,274,546
		25,727,400	23,109,059
Surplus on revaluation of assets - net of tax	21	1,798,884	1,313,843
		<u>27,526,284</u>	<u>24,422,902</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

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

**PRESIDENT / CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest earned	23	11,337,285	9,526,813
Mark-up / return / interest expensed	24	3,730,526	3,789,747
Net mark-up / interest income		7,606,759	5,737,066
Provision for diminution in the value of investments - net	9.3	80	70
Provision against non-performing loans and advances - net		1,049,786	681,523
Write offs under Government relief packages		14,454	647
Bad debts written off directly		-	-
Net mark-up / interest income after provisions		1,064,320	682,240
		6,542,439	5,054,826
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		13,568	7,202
Dividend income		17,222	33,427
Income from dealing in foreign currencies		-	-
Gain on sale of securities		234,268	476
Unrealized loss on revaluation of investments classified as held for trading	9.1	(30,537)	-
Other income	25	4,155,995	3,008,141
Total non mark-up / interest income		4,390,516	3,049,246
		10,932,955	8,104,072
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	26	7,028,649	4,459,401
Provision against other assets - net	13.7	(30,938)	321,385
Other charges	27	1,694	2,280
Total non mark-up / interest expenses		6,999,405	4,783,066
		3,933,550	3,321,006
<b>EXTRA ORDINARY / UNUSUAL ITEMS</b>			
		-	-
<b>PROFIT BEFORE TAXATION</b>			
		3,933,550	3,321,006
Taxation - Current year		1,373,672	1,097,961
- Prior years		96	3,400
- Deferred		(58,559)	48,376
	28	1,315,209	1,149,737
<b>PROFIT AFTER TAXATION</b>			
Unappropriated profit brought forward		2,618,341	2,171,269
Profit available for appropriation		8,274,546	6,532,307
		10,892,887	8,703,576
<b>Basic earnings per share (Rupees)</b>	29	<b>2.091</b>	<b>1.734</b>
<b>Diluted earnings per share (Rupees)</b>	30	<b>2.091</b>	<b>1.734</b>

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

**PRESIDENT / CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012	2011
	Rupees in '000	
<b>PROFIT AFTER TAXATION FOR THE YEAR</b>	2,618,341	2,171,269
Other comprehensive income	-	-
<b>COMPREHENSIVE INCOME TRANSFERRED TO EQUITY</b>	2,618,341	2,171,269
<b>COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY</b>		
Net change in fair value of available for sale securities	538,935	524,084
Deferred income tax	(53,894)	(52,409)
	485,041	471,675
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	3,103,382	2,642,944

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

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**PRESIDENT / CHIEF EXECUTIVE**

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**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 2012**

	Note	2012	2011
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,933,550	3,321,006
Dividend income		(17,222)	(33,427)
		<u>3,916,328</u>	<u>3,287,579</u>
Adjustments for non cash charges:			
Depreciation	11.2	168,455	211,414
Amortization	11.3	19	8,753
Amortization of deferred income	18.3	(882)	(51,024)
Provision against non-performing loans and advances - net		1,049,786	681,523
Provision for diminution in the value of investments - net	9.3	80	70
Provision for employees post retirement medical benefits	34.5.6	217,218	15,272
(Reversal) / provision against other assets - net	13.7	(30,938)	321,385
Fixed assets - written off	27	3	-
Write offs under Government relief packages		14,454	647
Reversal for defined benefit plans	26	(404,238)	(454,479)
Unrealized loss on revaluation of investments classified as held for trading	9.1	30,537	-
Gain on sale of securities		(234,268)	(476)
Gain on sale of operating fixed assets	25	(17,778)	(871)
		<u>792,448</u>	<u>732,214</u>
		4,708,776	4,019,793
(Increase) / decrease in operating assets:			
Net investment in held for trading securities		(1,010,900)	-
Advances - net		(4,380,958)	(633,282)
Others assets - net		(1,048,167)	137,555
		(6,440,025)	(495,727)
Increase / (decrease) in operating liabilities:			
Bills payable		85,907	(97,923)
Borrowings from financial institutions		34,944	-
Deposits and other accounts		2,180,590	(665,464)
Other liabilities (excluding current taxation)		3,589,800	2,886,269
		5,891,241	2,122,882
Employees' benefits paid		(242,119)	(701,227)
Income tax paid		(1,315,477)	(488,096)
Net cash generated from operating activities		<u>2,602,396</u>	<u>4,457,625</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(3,831,038)	100,476
Net investment in held to maturity securities		(281,990)	(3,782,246)
Dividend income received		17,222	33,427
Investment in operating fixed assets		(203,129)	(260,948)
Sale proceeds from disposal of property and equipment		39,580	6,232
Net cash used in investing activities		(4,259,355)	(3,903,059)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (decrease) / increase in cash and cash equivalents		(1,656,959)	554,566
Cash and cash equivalents at beginning of the year		14,358,274	13,803,708
Cash and cash equivalents at end of the year	31	<u>12,701,315</u>	<u>14,358,274</u>

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

**PRESIDENT / CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**



**ZARAI TARAQIATI BANK LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
	Rupees in '000 .....				
<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
Other comprehensive income for the year ended 31 December 2011	-	-	-	-	-
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
Profit after taxation for the year ended 31 December 2012	-	-	-	2,618,341	2,618,341
Other comprehensive income for the year ended 31 December 2012	-	-	-	-	-
Total comprehensive income for the year ended 31 December 2012	-	-	-	2,618,341	2,618,341
Transferred to statutory reserve	-	517,905	-	(517,905)	-
<b>Balance as at 31 December 2012</b>	12,522,441	2,769,977	60,000	10,374,982	25,727,400

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

**PRESIDENT / CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**DIRECTOR**

**ZARAI TARAQIATI BANK LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 (2011: 359) 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, the 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 Group'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 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after 1 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

**3.4 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year but not relevant to the Bank or do not have material impact**

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

- IAS 1 - Presentation of Financial Statements (Amendments)

- IAS 34 - Interim Financial Reporting

- There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2012 but are considered not relevant or do not have a significant effect on the Group's operations and therefore are not detailed in the financial statements.

### 3.5 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 2013:

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 from 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 is currently assessing the full impact of the amended IAS 19 on financial statements of the Group.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after 01 January 2013 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

## 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 estimates and 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 of future events that are believed to be reasonable under the 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 6.6, investments held for trading are the securities acquired principally for the purpose of generating profits from short term fluctuation in market price while investments held to maturity are investments where the management has positive intention and ability to hold the same 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 2012 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 2012 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 Taraqiati 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 Taraqiati 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 Taraqiati 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.

**Available-for-sale**

These are recognised at fair value. Gain or loss from changes in fair values are taken to equity until disposals at which time these are recycled to income statement.

**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 statement of financial position 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 off.

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 statement of financial position date.

**6.9 Impairment**

The carrying value of assets are reviewed at each statement of financial position 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 Assets acquired in satisfaction of claims****Zarai Taraqati Bank Limited**

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value and the current fair value of such assets.

**6.11 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 statement of financial position 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 Group 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.

**6.12 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.

**6.13 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 non-performing 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). Where the debt securities are purchased at premium or discount such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

- Commission income is recognized on a time proportion basis.

- Profit / (loss) on sale of investments is credited / charged to consolidated profit and loss account for the current year.

- 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.

**6.14 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 statement of financial position date and are adjusted to reflect current best estimate.

**6.15 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 statement of financial position date.

**6.16 Financial assets and financial liabilities**

Financial instruments carried in the statement of financial position 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 for the current year.

**6.17 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.



**6.18 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.

**6.19 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.

**6.20 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.

**6.21 Other receivables**

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

**6.22 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	2012	2011
Rupees in '000			
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>Local currency</b>			
In hand		1,378,401	1,187,932
Prize bonds		1,186	737
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,144,916	1,867,791
National Bank of Pakistan		2	2
		<u>3,524,505</u>	<u>3,056,462</u>

7.1 SBP requires minimum 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 of regulations issued from time to time.

	Note	2012	2011
Rupees in '000			
<b>8 BALANCES WITH OTHER BANKS</b>			
In Pakistan - local currency:			
In current accounts		26,301	34,104
In deposit accounts	8.1	9,150,509	11,267,708
		<u>9,176,810</u>	<u>11,301,812</u>

8.1 These carry mark-up rates ranging from 6.00% to 12.25% per annum (2011: 5.00% to 13.50% per annum).

## 9 INVESTMENTS - NET

### 9.1 Investments by types

	Note	2012			2011		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
..... Rupees in '000 .....							
<b>Held for trading securities</b>							
Sukuk Bonds	9.7	1,041,437	-	1,041,437	-	-	-
		1,041,437	-	1,041,437	-	-	-
<b>Available-for-sale securities</b>							
Market Treasury Bills	9.6	3,280,751	-	3,280,751	-	-	-
Shares in listed companies	9.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	9.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds	9.7	20,287	-	20,287	-	-	-
Term Finance Certificates	9.9	500,000	-	500,000	-	-	-
Units of Mutual Funds	9.11	30,000	-	30,000	-	-	-
		3,931,592	-	3,931,592	100,554	-	100,554
<b>Held-to-maturity securities</b>							
Market Treasury Bills	9.6	8,386,033	-	8,386,033	9,698,878	2,193	9,701,071
Pakistan Investment Bonds	9.8	1,336,447	-	1,336,447	-	-	-
Sukuk Bonds	9.7	859,292	-	859,292	-	-	-
Certificates of Investment	9.10	302,705	-	302,705	697,685	-	697,685
		10,884,477	-	10,884,477	10,396,563	2,193	10,398,756
<b>Investments at cost</b>		15,857,506	-	15,857,506	10,497,117	2,193	10,499,310
Provision for diminution in value of investments	9.3	(11,258)	-	(11,258)	(11,178)	-	(11,178)
<b>Investments (net of provisions)</b>		15,846,248	-	15,846,248	10,485,939	2,193	10,488,132
Deficit on revaluation of held for trading securities		(30,537)	-	(30,537)	-	-	-
Surplus on revaluation of available-for-sale securities - net	21	1,998,761	-	1,998,761	1,459,826	-	1,459,826
<b>Investments at revalued amounts (net of provisions)</b>		<u>17,814,472</u>	-	<u>17,814,472</u>	<u>11,945,765</u>	<u>2,193</u>	<u>11,947,958</u>

	Note	2012	2011
		Rupees in '000	
<b>9.2 Investments by segments</b>			
Federal Government Securities:			
Market Treasury Bills	9.6	11,666,784	9,701,071
Pakistan Investment Bonds	9.8	1,336,447	-
Sukuk Bonds	9.7	1,921,016	-
		14,924,247	9,701,071
<b>Fully paid-up ordinary shares:</b>			
Listed companies	9.4	90,031	90,031
Un-listed companies	9.5	10,523	10,523
		100,554	100,554
<b>Units of Mutual Funds</b>	9.11	30,000	-
<b>Other investments</b>			
Term Finance Certificates	9.9	500,000	-
Certificates of Investments	9.10	302,705	697,685
		802,705	697,685
<b>Total investment at cost</b>		15,857,506	10,499,310
Provision for diminution in value of investments	9.3	(11,258)	(11,178)
Investments (net of provisions)		15,846,248	10,488,132
Deficit on revaluation of held for trading securities		(30,537)	-
Surplus on revaluation of available-for-sale securities	21	1,998,761	1,459,826
Total investments at carrying value		17,814,472	11,947,958
<b>9.3 Particulars of provision for diminution in value of investments</b>			
Opening balance		11,178	11,108
Charge for the year		80	70
Reversals		-	-
Closing balance		11,258	11,178
<b>9.3.1 Particulars of provision in respect of type and segment</b>			
Available-for-sale securities - listed securities		735	655
Available-for-sale securities - un-listed securities		10,523	10,523
		11,258	11,178

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

Number of ordinary shares		Paid up value/ share	Name	2012	2011
2012	2011	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 9.4.1)	585	585
150,000	150,000	10	Mubarik Dairies Limited (Note 9.4.2)	150	150
300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 9.4.3)	-	-
				90,031	90,031

**9.4.1** Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.

**9.4.2** Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.

**9.4.3** Dadabhoy Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.

**9.4.4** Market value of listed investments is Rupees 2,037.940 million (2011: Rupees 1,549.202 million).

**9.5 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
Rupees					
Pakistan Mercantile Exchange Limited (Note 9.5.1)	4.78%	909,091	(8.254)	30 June 2012	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited (Note 9.5.2 & 9.5.4)	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 9.5.4)	8.33%	2,500	(141,148.03)	31 March 2012	Maj. Gen. (R) Sohail Shafiqat
Larkana Sugar Mills Limited (Note 9.5.3 & 9.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

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

9.5.2 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.

9.5.3 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.

9.5.4 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.

9.5.5 Cost of unlisted investments is Rupees 10.523 million and face value of investments in unlisted shares is Rupees 21.591 million.

**9.6 Principal terms of investments in Market Treasury Bills - Federal Government Securities**

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Feb 2013 to May 2013	On maturity	9.30 to 9.66	at maturity
Market Treasury Bills - held to maturity	Unrated	Jan 2013 to Oct 2013	On maturity	9.49 to 11.86	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 Market Treasury Bills classified as 'held to maturity'; as on 31 December 2012 is Rupees 8,382.066 million.

**9.7 Principal terms of investments in Sukuk Bonds - Federal Government Securities**

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - held for trading	Unrated	March 2015	On maturity	10.43	at maturity
Sukuk Bonds - available for sale	Unrated	May 2014	On maturity	9.26	at maturity
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	11.93	at maturity

**9.8 Principal terms of investments in Pakistan Investment Bonds - Federal Government Securities**

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds	Unrated	August 2014 to July 2017	On maturity	11.25 to 11.75	at maturity

9.8.1 Market value of Pakistan Investment Bond classified as 'held to maturity' as on 31 December 2012 is Rupees 1,294.012 million.

**9.9 Particulars of investments in Term Finance Certificates**

Name of investee	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA-/A1+	December 2020	at maturity	Six months kibar plus 1.25%	at maturity

**9.10 Particulars of investments in Certificates of Investments**

Name of investee	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pak Brunei Investment Company Limited	AA/A1+	February 2013	at maturity	10.00	at maturity

**9.11 Particulars of units of Mutual Funds**

Units of Mutual Funds	Number of units held	Paid up value per unit	Total paid up/ nominal value	Cost as at	
				2012	2011
Rupees					
NAFA Money Market Fund	1,993,263	10	19,933	20,000	-
NBP Fullerton Asset Management Limited					
Askari Sovereign Cash Fund	99,415	100	9,942	10,000	-

## 9.12 Quality of Available-for-Sale securities

	2012		2011	
	Market value	Credit Rating	Market value	Credit Rating
<b>Shares in listed companies</b>	Rupees in '000		Rupees in '000	
Nestle Pakistan Limited	2,037,940	Unrated	1,549,122	Unrated
Mubarik Dairies Limited	Not available	Unrated	80	Unrated
	<u>2,037,940</u>		<u>1,549,202</u>	
<b>Units of Mutal Funds</b>				
NAFA	20,000	AA+	-	
Askari Fund Management	10,000	AM2	-	
	30,000		-	
Market Treasury Bills	3,330,959	Unrated	-	
Sukuk Bonds	20,196	Unrated	-	
Term Finance Certificates	500,000	AA-/A1+	-	
	<u>5,919,095</u>		<u>1,549,202</u>	

	Note	2012	2011
		Rupees in '000	
<b>10 ADVANCES - NET</b>			
Loans, etc.			
In Pakistan - gross	10.1	95,242,440	92,032,077
Less:			
- Provision against non-performing advances	10.2	(7,162,553)	(7,266,212)
- Provision against staff advances		(19,463)	(22,159)
		<u>(7,182,016)</u>	<u>(7,288,371)</u>
Advances - net of provision		<u>88,060,424</u>	<u>84,743,706</u>
<b>10.1 Particulars of advances (gross)</b>			
10.1.1 In local currency		<u>95,242,440</u>	<u>92,032,077</u>
10.1.2 Short term		55,351,482	53,662,334
Long term		39,890,958	38,369,743
		<u>95,242,440</u>	<u>92,032,077</u>

10.2 Advances include Rupees 18,907.010 million (2011: Rupees 19,924.581 million) which have been placed under non-performing status as detailed below:

Category of classification	2012			2011		
	..... Rupees in '000 .....			..... Rupees in '000 .....		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
		Domestic			Domestic	
Other assets especially mentioned	11,727,508	-	-	12,648,254	-	-
Substandard	2,409,510	481,897	481,897	2,496,927	499,380	499,380
Doubtful	2,178,666	1,089,330	1,089,330	2,020,112	1,007,544	1,007,544
Loss	2,591,326	2,591,326	2,591,326	2,759,288	2,759,288	2,759,288
	<u>18,907,010</u>	<u>4,162,553</u>	<u>4,162,553</u>	<u>19,924,581</u>	<u>4,266,212</u>	<u>4,266,212</u>
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	<u>18,907,010</u>	<u>4,162,553</u>	<u>7,162,553</u>	<u>19,924,581</u>	<u>4,266,212</u>	<u>7,266,212</u>

10.3 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
Opening balance	4,266,212	3,000,000	7,266,212	4,654,018	3,000,000	7,654,018
Charge for the year	5,790,080	-	5,790,080	3,646,103	-	3,646,103
Reversals	(4,737,600)	-	(4,737,600)	(2,966,431)	-	(2,966,431)
	1,052,480	-	1,052,480	679,672	-	679,672
Amounts written off	10.4	-	-	-	-	-
Amounts charged off	10.5	(1,156,139)	(1,156,139)	(1,067,478)	-	(1,067,478)
Closing balance	<u>4,162,553</u>	<u>3,000,000</u>	<u>7,162,553</u>	<u>4,266,212</u>	<u>3,000,000</u>	<u>7,266,212</u>

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

	2012			2011		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
In local currency	4,162,553	3,000,000	7,162,553	4,266,212	3,000,000	7,266,212

**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 355.769 million (2011: Rupees 1,057.947 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2012	2011
		Rupees in '000	
<b>10.4 Particulars of write offs</b>			
<b>10.4.1 Against provisions</b>		-	-
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 Against provisions</b>		1,156,139	1,067,478
<b>10.5.2 Charge offs of Rupees 500,000 and above</b>		-	-
Charge offs of below Rupees 500,000	10.7	1,156,139	1,067,478

**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 2012, 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 2012 was Rupees 29,441 million (Rupees 31,552 million as at 31 December 2011) with an addition of Rupees 1,156 million (Rupees 1,067 million for the year ended 31 December 2011) 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	2012	2011
		Rupees in '000	
Balance at the beginning of year		2,134,905	2,151,881
Loans granted during the year		441,729	366,283
		2,576,634	2,518,164
Repayments		(624,839)	(383,259)
Balance at the end of year		1,951,795	2,134,905
<b>11 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	272,710	166,213
Property and equipment	11.2	909,173	1,003,131
Intangible assets	11.3	328	17
		1,182,211	1,169,361
<b>11.1 Capital work-in-progress</b>			
Civil works		242,865	138,770
Equipment		13,425	13,426
Advances to suppliers and contractors		150	150
Consultancy charges		12,791	10,447
Others		3,479	3,420
		272,710	166,213



## 11.2 Property and equipment

Description	COST			ACCUMULATED DEPRECIATION				Book value at 31 December 2012	Annual rate of Depreciation		
	At 01 January 2012	Additions	(Deletions)/ adjustments	Cost of stolen asset	At 31 December 2012	At 01 January 2012	Charge for the year			Depreciation on (deletions)/ adjustments	Depreciation of stolen asset
Land - Freehold	221,895	-	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	-	15,139	5,623	2,358	-	-	7,981	Lease terms for 33 to 99 years
Buildings on freehold land	140,364	6,684	-	-	147,048	51,391	4,081	-	-	55,472	5%
Buildings on leasehold land	337,403	10,991	-	-	348,394	109,869	3,666	-	-	113,535	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	3,579	882	-	-	4,461	5%
Furniture and fixtures	109,743	3,038	(1,601)	-	111,180	39,135	9,457	(1,075)	-	47,517	10% / 20%
Computer, office and other equipment	246,476	14,185	(977)	-	259,684	154,853	29,986	(728)	-	184,111	20% / 33.33%
Computer, office and other equipment - ADB	157,518	-	-	-	157,518	157,518	-	-	-	157,518	20% / 33.33%
Vehicles	829,915	63,998	(46,829)	(3,212)	*843,872	554,578	118,025	(25,802)	(615)	* 646,186	20%
	2,079,677	98,896	(49,407)	(3,212)	2,125,954	1,076,546	168,455	(27,605)	(615)	1,216,781	

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

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	Lease terms for 33 to 99 years
Buildings on freehold land	138,505	1,859	-	-	140,364	47,199	4,192	-	-	51,391	5%
Buildings on leasehold land	328,220	9,183	-	-	337,403	106,449	3,420	-	-	109,869	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	2,650	929	-	-	3,579	5%
Furniture and fixtures	90,753	18,990	-	-	109,743	29,118	10,017	-	-	39,135	10%/20%
Computer, office and other equipment	206,187	43,772	(3,483)	-	246,476	114,890	43,437	(3,474)	-	154,853	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	20%
	1,930,696	183,818	(31,625)	(3,212)	2,079,677	892,011	211,414	(26,264)	(615)	1,076,546	

\*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 .....							
Vehicles							
Toyota Corolla QD-441	1,412	565	847	846	As per Bank policy	Ms. Roohi R. Khan, COO	Islamabad
Toyota Corolla GP-7703	1,369	800	569	569	As per Bank policy	Mr. A. D. Abid, Ex-SVP	Islamabad
Toyota Corolla PS-693	1,264	695	569	569	As per Bank policy	Mr. Ashfaq Hassan Qureshi, Ex-EVP	Islamabad
Toyota Corolla XLI KH-100	1,247	553	694	694	As per Bank policy	Mr. Rasheed Shafiq, Ex-EVP	Islamabad
Suzuki Swift QF-647	859	272	587	586	As per Bank policy	Mr. Ch. Riaz Ahmed, Ex-SVP	Islamabad
Toyota Corolla PP-998	818	390	428	428	As per Bank policy	Mr. A. D. Abid, Ex-SVP	Islamabad
Toyota Corolla PW-303	818	450	368	368	As per Bank policy	Mr. Maqsood A. Cheema, Ex-SVP	Islamabad
Suzuki Cultus PU-684	758	480	278	277	As per Bank policy	Mr. Muhammad Iftikhar, Ex-VP	Islamabad
	8,545	4,205	4,340	4,337			
Other assets having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	40,862	23,400	17,462	35,243	As per Bank policy	Bank's employees	Islamabad
	49,407	27,605	21,802	39,580			

2012                      2011  
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 0.849 million (2011: Rupees 81.595 million) and leasehold land having book value of Rupees 0.460 million (2011: Rupees 2.137 million) 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 Nil (2011: Rupees 1.473 million) have expired and are not yet renewed.

## 11.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION			Book value at 31 December 2012	Annual rate of Amortization
	At 01 January 2012	At 31 December 2012	At 01 January 2012	Charge for the year	At 31 December 2012		
..... Rupees in '000 .....							
Computer software	826	1,156	810	19	829	327	33.33%
Computer software - ADB	80,500	80,500	80,499	-	80,499	1	33.33%
<b>2012</b>	<b>81,326</b>	<b>81,656</b>	<b>81,309</b>	<b>19</b>	<b>81,328</b>	<b>328</b>	
..... Rupees in '000 .....							
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	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>81,326</b>	<b>72,556</b>	<b>8,753</b>	<b>81,309</b>	<b>17</b>	

	Note	2012	2011
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:			
Taxable temporary differences on:			
Accelerated tax depreciation		(40,624)	(59,126)
Surplus on revaluation of assets	21	(199,876)	(145,983)
Deductible temporary differences on:		(240,500)	(205,109)
Provision for gratuity		16,349	13,278
Provision for medical facilities		9,366	6,456
Provision against non-performing loans and advances		570,369	536,293
		<u>355,584</u>	<u>350,918</u>
<b>13 OTHER ASSETS - NET</b>			
Income / mark-up accrued on deposits in local currency		30,435	57,541
Income / mark up accrued on securities		57,416	-
Accrued interest / markup on advances	13.1	5,090,398	3,768,872
Stationery and stamps in hand		64,985	50,029
Amount recoverable from Federal Government	13.2	310,106	446,388
Crop loan insurance claim recoverable from Insurance Company		304,547	357,815
Tax recoverable	13.3	391,751	391,751
Non banking assets acquired in satisfaction of claims	13.4	297,447	316,982
Receivable from defined benefit plans	13.5	5,639,894	4,913,330
Stock of farm machinery		13,125	13,125
Advances against salary and expenses		14,872	14,378
Security deposits		2,400	2,304
Advances and other prepayments		294,042	216,480
Others	13.6	61,045	146,508
		<u>12,572,463</u>	<u>10,695,503</u>
Provision held against other assets	13.7	(719,861)	(750,799)
Other assets - net of provisions		<u>11,852,602</u>	<u>9,944,704</u>
<b>13.1</b>	This does not include Rupees 2,841.700 million (2011: Rupees 2,616.037 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.		
<b>13.2</b>	This includes amount recoverable from Federal Government on account of crop loan insurance premium.		
<b>13.3</b>	This includes tax recoverable of Rupees 297.149 million for assessment years 1991-92 to 1998-99 as disclosed in Note 22.2.3.		
<b>13.4</b>	Market value of non-banking assets acquired in satisfaction of claims is Rupees 765.003 million (2011: Rupees 966.069 million).		

	Note	2012	2011
Rupees in '000			
<b>13.5 Receivable from defined benefit plans</b>			
Pension scheme	34.1.5	4,380,646	3,925,377
Gratuity scheme - Staff Regulations 1975	34.4.1.5	1,151,940	952,808
Gratuity scheme - net:			
The Bank	34.4.2.5	154,019	73,082
The Company	34.4.3.4	(46,711)	(37,937)
		107,308	35,145
	13.5.1	5,639,894	4,913,330
<b>13.5.1</b>	These represent assets recognized by the Group as required by International Accounting Standard (IAS) 19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuarial valuation.		
		2012	2011
Rupees in '000			
<b>13.6 Others</b>			
Advance for purchase of machinery / goods in transit		17	17
Legal charges recoverable on suits filed against loan defaulters		18,415	19,851
Income tax recoverable from employees		39,018	114,974
Trade debts		3,595	11,666
		61,045	146,508
<b>13.7 Provision held against other assets</b>			
Opening balance		750,799	429,414
Charge for the year		1,330	321,763
Reversals		(32,268)	(378)
		(30,938)	321,385
Amount written off		-	-
Closing balance		719,861	750,799
	Note	2012	2011
Rupees in '000			
<b>14 BILLS PAYABLE</b>			
- In Pakistan		294,024	208,117
<b>15 BORROWINGS</b>			
- In Pakistan	15.1	51,292,157	51,257,213
<b>15.1 Particulars of borrowings with respect to currencies</b>			
- In local currency	15.2	51,292,157	51,257,213
<b>15.2 Details of borrowings from financial institutions - secured</b>			
Borrowing from State Bank of Pakistan (SBP)			
Agricultural loans	15.3 & 15.5	50,174,089	50,174,089
Agri-project loans	15.4 & 15.5	1,083,124	1,083,124
SMEs and Agricultural loans	15.6	34,944	-
		51,292,157	51,257,213

- 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 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. In the tripartite meeting held on 6 June 2012, among MoF, SBP and the Bank, it was desired by the MoF that ZTBL will furnish a comprehensive and workable proposal for consideration. A proposal to this affect was sent to MoF on 15 June 2012. Last tripartite meeting among MoF, SBP and the Bank was held on 13 August 2012, where in the proposal submitted by the Bank was deliberated. MoF advised ZTBL to firm up a comprehensive proposal to be discussed in the next meeting. In this respect, working on a revised proposal is being finalized in consultation with the Board Audit Committee.

- 15.6 Under Refinance Scheme for Revival of SME's and Agricultural Activities in Flood Affected Areas introduced by SBP vide SMEFD circular number 16 of 2010 and agreement with SBP, refinance limit of Rupees 3.00 billion was sanctioned to the Bank. This loan carries mark-up at a rate of 5.00% per annum and is repayable along with mark up with in one year. This loan is secured by way of guarantee of Government of Pakistan (GoP).

	2012	2011
Note	Rupees in '000	
<b>16 DEPOSITS AND OTHER ACCOUNTS</b>		
Customers - local currency		
Fixed deposits	196,182	361,334
Saving deposits	16.1 2,823,056	2,073,861
Current accounts - remunerative	142,266	169,966
Current accounts - non-remunerative	16.2 7,875,488	6,250,627
Unclaimed deposits	28,861	29,475
	11,065,853	8,885,263

16.1 This includes Rupees 64.745 million (2011: Rupees 46.907 million) as deposit of employees' benefit funds.

16.2 This includes Rupees 0.563 million (2011: Rupees 0.017 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 Bank was discussed and MoF advised the Bank to firm up a comprehensive proposal to be discussed.

	Note	2012	2011
Rupees in '000			
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		29,936,318	26,464,047
Accrued expenses		288,244	101,662
Taxation (provisions less payments)		2,189,117	2,130,826
Branch adjustment account		588,111	426,418
Payable to Ministry of Food Agriculture and Livestock	18.1	176,100	176,100
Profit payable on deposits and other accounts		70,406	63,857
Net liabilities relating to Bangladesh	18.2	189	189
Provision for employees' post retirement medical benefits	34.5.4	4,244,360	4,049,164
Provision for employees' compensated absences	34.6.1	446,202	343,973
Security deposits		21,766	14,117
Deferred income	18.3	16,765	17,647
Others	18.4	606,389	749,103
		38,583,967	34,537,103

18.1 This represents the amount of Rupees 8.100 million (2011: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2011: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2012	2011
Rupees in '000			
<b>18.2 Net liabilities relating to Bangladesh</b>			
Liabilities		1,548,776	1,519,405
Assets		(1,548,587)	(1,519,216)
	18.2.1	189	189

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	2012	2011
Rupees in '000			
<b>18.3 Deferred Income</b>			
Opening balance		17,647	68,671
Additions during the year		-	-
Amortization during the year	25	(882)	(51,024)
Closing balance		16,765	17,647

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 income tax, contribution received from borrowers, etc.

**19 SHARE CAPITAL****19.1 Authorized Capital**

2012	2011		2012	2011
Number of shares			Rupees in '000	
2,500,000,000	2,500,000,000	Ordinary shares of Rupees 10 each	25,000,000	25,000,000

**19.2 Issued, subscribed and paid up capital**

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

19.3 Shareholder	No of ordinary shares	Paid-up value per share	2012	2011
			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
	1,252,244,067		12,522,441	12,522,441

**20 RESERVES**

	Statutory reserves	Revenue reserve		2012	2011
		Contingencies reserve			
..... Rupees in '000 .....					
Opening balance	2,252,072	60,000		2,312,072	1,883,042
Transfer from unappropriated profit	517,905	-		517,905	429,030
Closing balance	2,769,977	60,000		2,829,977	2,312,072

**20.1** Statutory reserves represent 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.

**21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**

Surplus arising on revaluation of available-for-sale securities:

Quoted Investments	1,948,644	1,459,826
Other securities	50,117	-
	1,998,761	1,459,826
Related deferred tax liability	(199,877)	(145,983)
	1,798,884	1,313,843

## 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 30,185 million for the period from 01 July 2004 to 31 December 2012 (2011: Rupees 26,904 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 (2011: Rupees 1.708 billion) receivable from the Federal Government on account of following President Relief Packages.

	2012	2011
	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	61,168
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	296,773
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	597,341
	<u>1,707,726</u>	<u>1,707,726</u>
<b>22.1.3 Commitments against capital expenditure</b>	<u>115,730</u>	<u>215,325</u>

**22.1.4** 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.

	2012	2011
	Rupees in '000	
<b>22.2 Contingent liabilities</b>		
<b>22.2.1</b> Contingent liabilities in respect of 654 cases (2011: 590 cases) filed against the Bank by various borrower.	<u>8,026,383</u>	<u>8,682,362</u>
<b>22.2.2</b> Contingent liabilities in respect of 354 cases (2011: 340 cases) filed against the Bank in various courts of law by the employees.	<u>1,240,130</u>	<u>144,994</u>

**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 Honorable 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 against the aforesaid decision.

**22.2.4** Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank has filed an appeal before the CIR (A). The Bank has not accounted for the demand as tax payable, as a favourable 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, 1 March 2011, 22 July 2011 and 16 April 2012 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 4,640.154 million. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in the financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal council of the Bank.
- 22.2.6** Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard has been received, so far.
- 22.2.7** Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), against appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. The department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 which is pending adjudication.
- 22.2.8** The SBP debt of Rupees 84.398 billion (Principal Rupees 54.462 billion and mark-up Rupees 29.936 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 30.185 billion from GoP.
- 22.2.9** The civil appeals have been accepted by the Honorable Supreme Court of Pakistan vide Order dated 15 February 2013 regarding promotion of various employees to next grades. The Bank has filed review petition against this combined Order and is expecting a favourable outcome. Further, the Bank is in process to determine the financial impact of this Order.

	Note	2012	2011
		Rupees in '000	
<b>23 MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to customers		9,087,325	7,349,613
On investments:			
- In held for trading securities		329,174	-
- In held to maturity securities		1,102,396	1,224,384
- In available for sale securities		113,878	-
		1,545,448	1,224,384
On deposits with financial institutions		704,512	952,816
		<u>11,337,285</u>	<u>9,526,813</u>
<b>24 MARK UP / RETURN / INTEREST EXPENSED</b>			
On deposits		188,572	245,733
On borrowings and subordinated debt - State Bank of Pakistan		3,535,395	3,541,950
Bank commission and other charges		6,559	2,064
		<u>3,730,526</u>	<u>3,789,747</u>
<b>25 OTHER INCOME</b>			
Rent on property - others		18,160	21,121
Recoveries of charged off amounts		2,942,686	2,336,874
Gain on sale of operating fixed assets		17,778	871
Loan application fee		801,990	400,834
Deferred income amortization	18.3	882	51,024
Others	25.1	374,499	197,417
		<u>4,155,995</u>	<u>3,008,141</u>

**25.1 OTHERS**

Sale proceeds of loan application forms		46,312	18,296
Postal charges received from loanees		175,115	78,014
Miscellaneous income	25.1.1	153,072	101,107
		<u>374,499</u>	<u>197,417</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	26.1	6,076,066	4,103,433
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	34.1.7	(444,134)	(449,696)
- Benevolent scheme - officers / executives	34.2.7	5,057	-
- Benevolent scheme - clerical / non-clerical	34.3.7	1,423	-
- Gratuity under old staff regulations of the Bank	34.4.1.7	(210,267)	(177,374)
- Gratuity scheme - staff regulation 2005 of the Bank	34.4.2.7	132,439	140,106
- Gratuity scheme of the Company	34.4.3.6	9,015	9,382
- Employees' compensated absences	34.6.1	102,229	(454,479)
		(404,238)	(932,061)
Contribution to defined contribution plan - provident fund	34.7	63,284	41,102
Non-executive directors' fees and other expenses		10,995	9,304
Rent, taxes, insurance, electricity, etc.		187,937	190,134
Legal and professional charges		87,463	64,973
Communications		67,860	59,635
Repairs and maintenance		52,740	35,418
Motor vehicle expenses		336,783	294,849
Traveling expenses		141,974	113,708
Stationery and printing		76,492	63,595
Advertisement and publicity		7,816	18,365
Auditors' remuneration	26.2	5,383	4,750
Depreciation - tangible	11.2	168,455	211,414
Amortization - intangible	11.3	19	8,753
Commutation to employees	26.3	13,044	41,182
Others		136,576	130,847
		<u>7,028,649</u>	<u>4,459,401</u>

**26.1** This includes post retirement medical benefit amounting to Rupees 217.218 million (2011: Rupees 15.272 million)

## 26.2 Auditors' remuneration

	2012		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	Rupees in '000		
Audit fee	880	800	1,680
Fee for half year review	255	200	455
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Other services	144	-	144
Out of pocket expenses	873	873	1,746
	<u>2,831</u>	<u>2,552</u>	<u>5,383</u>

	2011		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	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 certifications	398	398	796
Out of pocket expenses	793	793	1,586
	<u>2,430</u>	<u>2,320</u>	<u>4,750</u>

## 26.3 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	2012	2011
		Rupees in '000	
27 OTHER CHARGES			
Penalties imposed by SBP		1,691	2,280
Fixed assets - written off		3	-
		<u>1,694</u>	<u>2,280</u>



	Note	2012	2011
Rupees in '000			
<b>28 TAXATION</b>			
For the year:			
Current	28.1	1,373,672	1,097,961
Deferred		(58,559)	48,376
For prior years:		-	-
Current		96	3,400
		<u>1,315,209</u>	<u>1,149,737</u>
		<b>2012</b>	<b>2011</b>
		Rupees in '000	
<b>28.1 Relationship between income tax expense and accounting profit</b>			
Accounting profit for the year		3,933,550	3,321,006
Add:			
Accounting depreciation and amortization		168,474	220,167
Penalties imposed by SBP		1,691	2,280
Provision charged against non performing advances as per Prudential Regulations		1,049,786	681,523
Unrealized loss on revaluation of investments classified as held for trading		30,537	-
		<u>1,250,488</u>	<u>903,970</u>
Less:			
Tax depreciation		113,018	136,603
Provision against non performing advances allowed up to 1% of gross advances		952,424	920,321
Dividend, capital gain and rental income for separate consideration		295,459	55,024
		<u>1,360,901</u>	<u>1,111,948</u>
		<u>3,823,137</u>	<u>3,113,028</u>
Income tax - excluding dividend, capital gain and rental income		1,344,161	1,092,494
Income tax on dividend, capital gain and rental income		29,511	5,467
Income tax for the current period		<u>1,373,672</u>	<u>1,097,961</u>
Applicable tax rate		<u>35%</u>	<u>35%</u>
		<b>2012</b>	<b>2011</b>
<b>29 BASIC EARNINGS PER SHARE</b>			
Profit after tax for the year - Rupees in '000		<u>2,618,341</u>	<u>2,171,269</u>
Weighted average number of ordinary shares outstanding during the year		<u>1,252,244,067</u>	<u>1,252,244,067</u>
Basic earnings per share in Rupees		<u>2.091</u>	<u>1.734</u>
<b>30 DILUTED EARNINGS PER SHARE</b>			

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 2012.

Note                      2012                      2011  
Rupees in '000

**31 CASH AND CASH EQUIVALENTS**

Cash and balance with treasury banks	7	3,524,505	3,056,462
Balances with other banks	8	9,176,810	11,301,812
		<u>12,701,315</u>	<u>14,358,274</u>

Number

**32 STAFF STRENGTH**

Permanent		5,724	5,789
Contractual		19	54
Total staff strength		<u>5,743</u>	<u>5,843</u>

**33 CREDIT RATING**

JCR-VIS Credit Rating Company Limited, Karachi in its report dated 12 July 2012 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2011: AAA/A-1+) with stable outlook, medium to long term credit rating of B+ and short-term credit rating of B (31 December 2011: B+ medium to long term credit rating, B short term credit 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 2012. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2012	..... % .....	2011
Valuation discount rate	11.50		13.00
Expected rate of increase in salary	9.50		10.75
Expected rate of return on plan assets	11.50		13.00
Expected rate of increase in premium	6.25		7.50

	Note	2012	2011		
		Rupees in '000			
<b>34.1.3 Changes in the present value of obligation</b>					
Present value of obligation as on 01 January		1,503,105	1,202,368		
Current service cost		37,265	35,820		
Interest cost		184,860	164,620		
Benefits paid		(167,314)	(97,527)		
Transferred to Gratuity - SSR 1961		(11,135)	-		
Actuarial loss on obligation		668,275	197,824		
Present value of obligation as at 31 December		<u>2,215,056</u>	<u>1,503,105</u>		
<b>34.1.4 Changes in the fair value of plan assets</b>					
Total assets as on 01 January		5,206,173	4,609,499		
Expected return on plan assets		666,259	650,136		
Benefits paid		(167,314)	(97,527)		
Actuarial (loss) / gain on assets		(13,115)	44,065		
Total assets as at 31 December		<u>5,692,003</u>	<u>5,206,173</u>		
<b>34.1.5 Amounts recognized in statement of financial position</b>					
Present value of defined benefit obligation		2,215,056	1,503,105		
Fair value of plan assets		(5,692,003)	(5,206,173)		
Net actuarial gain not recognized		(903,699)	(222,309)		
Asset recognized in the statement of financial position	13.5	<u>(4,380,646)</u>	<u>(3,925,377)</u>		
	<b>Note</b>	<b>2012</b>	<b>2011</b>		
		<b>Rupees in '000</b>			
<b>34.1.6 Movement in net asset recognized</b>					
Opening net assets		(3,925,377)	(3,475,681)		
Credit for the year	34.1.7	(444,134)	(449,696)		
Transferred to Gratuity - SSR 1961		(11,135)	-		
Closing net asset		<u>(4,380,646)</u>	<u>(3,925,377)</u>		
<b>34.1.7 Income recognized in the profit and loss account</b>					
Current service cost		37,265	35,820		
Interest cost		184,860	164,620		
Expected return on plan assets		(666,259)	(650,136)		
		<u>(444,134)</u>	<u>(449,696)</u>		
<b>34.1.8 Actual return on plan assets</b>					
Actual return on plan assets		<u>653,144</u>	<u>694,201</u>		
		<b>2012</b>	<b>2011</b>		
		<b>Fair value</b>	<b>Fair value</b>		
		<b>%</b>	<b>%</b>		
		<b>Rupees in '000</b>	<b>Rupees in '000</b>		
<b>34.1.9 Composition of fair value of plan assets</b>					
Government securities		3,029,815	53.23	2,744,217	52.71
Term deposit receipts		2,642,034	46.42	2,436,956	46.81
Deposits in the Bank		20,298	0.35	10,763	0.21
Debtors and creditors		(144)	(0.00)	14,237	0.27
Fair value of total plan assets		<u>5,692,003</u>	<u>100.00</u>	<u>5,206,173</u>	<u>100.00</u>

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
<b>34.1.10 Other relevant details</b>					
Present value of defined benefit obligation	2,215,056	1,503,105	1,202,368	1,331,776	2,267,226
Fair value of plan assets	(5,692,003)	(5,206,173)	(4,609,499)	(5,180,979)	(5,114,465)
Surplus in pension fund	<u>(3,476,947)</u>	<u>(3,703,068)</u>	<u>(3,407,131)</u>	<u>(3,849,203)</u>	<u>(2,847,239)</u>
Experience adjustment	(668,275)	(197,824)	219,527	24,259	(288,108)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(668,275)</u>	<u>(197,824)</u>	<u>219,527</u>	<u>24,259</u>	<u>(288,108)</u>
Experience adjustment	(13,115)	44,065	(86,595)	(70,837)	(90,270)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>(13,115)</u>	<u>44,065</u>	<u>(86,595)</u>	<u>(70,837)</u>	<u>(90,270)</u>

34.1.11 No contribution is expected in 2013 to the Pension Fund.

## 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 2012. Actuarial valuation was made using the following significant assumptions:

	2012	2011
	..... % .....	
Valuation discount rate	11.50	13.00
Expected rate of increase in salary	9.50	10.75
Expected rate of return on plan assets	11.50	13.00

	Note	2012	2011
		Rupees in '000	
<b>34.2.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		211,133	177,105
Current service cost		8,724	7,503
Interest cost		26,558	24,558
Benefits paid		(14,116)	(9,861)
Actuarial loss on obligation		12,575	11,828
Present value of obligation as at 31 December		<u>244,874</u>	<u>211,133</u>

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

	2012	2011
Total assets as on 01 January	609,363	545,226
Expected return on plan assets	78,965	77,015
Contributions - Employer	5,057	-
Contributions - Employees	5,057	-
Benefits paid	(14,116)	(9,861)
Actuarial loss on assets	(6,625)	(3,017)
Total assets as at 31 December	<u>677,701</u>	<u>609,363</u>

	Note	2012	2011
Rupees in '000			
<b>34.2.5 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		244,874	211,133
Fair value of plan assets		(677,701)	(609,363)
Unrecognized actuarial (gain) / loss		(10,495)	8,705
Unrecognized due to impact of asset ceiling		443,322	389,525
Asset recognized in the statement of financial position		-	-
<b>34.2.6 Movement in net asset recognized</b>			
Opening net receivable		-	-
Credit for the year	34.2.7	5,057	-
Contribution to fund / benefits paid during the year		(5,057)	-
Closing net receivable		-	-
<b>34.2.7 Expense recognized in profit and loss account</b>			
Current service cost		8,724	7,503
Interest cost		26,558	24,558
Expected return on plan assets		(78,965)	(77,015)
Contribution - Employees		(5,057)	-
Unrecognized due to impact of asset ceiling		53,797	44,954
		5,057	-
<b>34.2.8 Actual return on plan assets</b>			
Actual return on plan assets		72,340	73,998

	2012		2011	
	Fair value	%	Fair value	%
Rupees in '000				
<b>34.2.9 Composition of fair value of plan assets</b>				
Government securities	365,969	54.00	347,352	57.00
Term deposit receipts	297,748	43.94	241,570	39.64
Deposits in the Bank	2,185	0.32	3,703	0.61
Debtors and creditors	11,799	1.74	16,738	2.75
Fair value of total plan assets	677,701	100.00	609,363	100.00

	2012	2011	2010	2009	2008
..... Rupees in '000 .....					
<b>34.2.10 Other relevant details</b>					
Present value of defined benefit obligation	244,874	211,133	177,105	165,502	157,652
Fair value of plan assets	(677,701)	(609,363)	(545,226)	(502,094)	(463,458)
Surplus in benevolent scheme - officers / executives	(432,827)	(398,230)	(368,121)	(336,592)	(305,806)
Experience adjustment	(12,575)	(11,828)	6,636	9,424	70,580
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(12,575)	(11,828)	6,636	9,424	70,580
Experience adjustment	(6,625)	(3,017)	(16,541)	(32,950)	(26,390)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	(6,625)	(3,017)	(16,541)	(32,950)	(26,390)

**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 2012. Actuarial valuation was made using the following significant assumptions:

	2012	2011
	..... % .....	
Valuation discount rate	11.50	13.00
Expected rate of increase in salary	9.50	10.75
Expected rate of return on plan assets	11.50	13.00

2012	2011
Rupees in '000	

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

Present value of obligation as on 01 January	23,370	20,014
Current service cost	1,374	1,115
Interest cost	2,935	2,759
Benefits paid	(1,642)	(1,353)
Actuarial loss on obligation	5,117	835
Present value of obligation as at 31 December	31,154	23,370

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

Total assets as on 01 January	273,293	240,105
Expected return on plan assets	35,604	34,122
Contributions - Employer	1,423	-
Contributions - Employees	1,423	-
Benefits paid	(1,642)	(1,353)
Actuarial (loss) / gain on assets	(3,584)	419
Total assets as at 31 December	306,517	273,293

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

Present value of defined benefit obligation	31,154	23,370
Fair value of plan assets	(306,517)	(273,293)
Net actuarial gain not recognized	82,590	96,029
Unrecognized due to impact of asset ceiling	192,773	153,894
Asset recognized in the statement of financial position	-	-

Note	2012	2011
	Rupees in '000	

**34.3.6 Movement in net asset recognized**

Opening net receivable	-	-
Credit for the year	34.3.7 1,423	-
Contribution to fund / benefits paid during the year	(1,423)	-
Closing net receivable	-	-

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

Current service cost	1,374	1,115
Interest cost	2,935	2,759
Expected return on plan assets	(35,604)	(34,122)
Actuarial gain recognized	(4,738)	(5,174)
Contribution - Employees	(1,423)	-
Unrecognized due to impact of asset ceiling	38,879	35,422
	1,423	-

**34.3.8 Actual return on plan assets**

Actual return on plan assets	32,020	34,541
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	2012		2011	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
<b>34.3.9 Composition of fair value of plan assets</b>				
Government securities	133,141	43.44	121,139	44.33
Term deposit receipts	171,756	56.03	156,419	57.23
Deposits in the Bank	1,306	0.43	4,824	1.77
Debtors and creditors	314	0.10	(9,089)	(3.33)
Fair value of total plan assets	<u>306,517</u>	<u>100.00</u>	<u>273,293</u>	<u>100.00</u>

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
<b>34.3.10 Other relevant details</b>					
Present value of defined benefit obligation	31,154	23,370	20,014	34,041	32,555
Fair value of plan assets	(306,517)	(273,293)	(240,105)	(224,993)	(195,519)
Surplus in benevolent scheme - clerical / non-clerical	<u>(275,363)</u>	<u>(249,923)</u>	<u>(220,091)</u>	<u>(190,952)</u>	<u>(162,964)</u>
Experience adjustment	(5,117)	(835)	19,057	3,695	14,700
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(5,117)</u>	<u>(835)</u>	<u>19,057</u>	<u>3,695</u>	<u>14,700</u>
Experience adjustment	(3,584)	419	(15,181)	(4,376)	(11,052)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	<u>(3,584)</u>	<u>419</u>	<u>(15,181)</u>	<u>(4,376)</u>	<u>(11,052)</u>

#### 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 2012. Actuarial valuation was made using the following significant assumptions:

	2012	2011
	..... % .....	
Valuation discount rate	11.50	13.00
Expected rate of increase in salary	9.50	10.75
Expected rate of return on plan assets	11.50	13.00

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

	Note	2012	2011
		Rupees in '000	
Present value of obligation as on 01 January		-	-
Benefits paid		(11,135)	-
Addition to liability from Pension Fund		11,135	-
Present value of obligation as at 31 December		<u>-</u>	<u>-</u>

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

	Note	2012	2011
		Rupees in '000	
Total assets as on 01 January		1,425,804	1,244,730
Expected return on plan assets		184,653	177,374
Benefits paid		(11,135)	-
Actuarial (loss) / gain on assets		(4,452)	3,700
Total assets as at 31 December		<u>1,594,870</u>	<u>1,425,804</u>

	Note	2012	2011			
		Rupees in '000				
<b>34.4.1.5 Amounts recognized in the statement of financial position</b>						
Fair value of plan assets		(1,594,870)	(1,425,804)			
Net actuarial gain not recognized		442,930	472,996			
Asset recognized in the statement of financial position	13.5	<u>(1,151,940)</u>	<u>(952,808)</u>			
<b>34.4.1.6 Movement in net asset recognized</b>						
Opening net assets		(952,808)	(775,434)			
Credit for the year	34.4.1.7	(210,267)	(177,374)			
Addition to liability from Pension Fund		11,135	-			
Closing net assets		<u>(1,151,940)</u>	<u>(952,808)</u>			
<b>34.4.1.7 Income recognized in profit and loss account</b>						
Expected return on plan assets		(184,653)	(177,374)			
Actuarial gain recognized		(25,614)	-			
		<u>(210,267)</u>	<u>(177,374)</u>			
<b>34.4.1.8 Actual return on plan assets</b>						
Actual return on plan assets		<u>180,201</u>	<u>181,074</u>			
		<b>2012</b>	<b>2011</b>			
		<b>Fair value</b>	<b>Fair value</b>			
		<b>Rupees in '000</b>	<b>Rupees in '000</b>			
		<b>%</b>	<b>%</b>			
<b>34.4.1.9 Composition of fair value of plan assets</b>						
Government securities		367,599	23.04	333,314	23.37	
Term deposit receipts		1,209,295	75.83	1,081,274	75.84	
Deposits in the Bank		10,347	0.65	7,995	0.56	
Debtors and creditors		7,629	0.48	3,221	0.23	
Fair value of total plan assets		<u>1,594,870</u>	<u>100.00</u>	<u>1,425,804</u>	<u>100.00</u>	
		<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>34.4.1.10 Other relevant details</b>						
Present value of defined benefit obligation		-	-	-	357,969	6
Fair value of plan assets		(1,594,870)	(1,425,804)	(1,244,730)	(1,483,278)	(1,588,217)
Surplus in gratuity under old staff regulations		(1,594,870)	(1,425,804)	(1,244,730)	(1,125,309)	(1,588,211)
		<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>..... Rupees in '000 .....</b>						
Experience adjustment		-	-	397,152	(13,520)	(9,372)
Assumptions gain / (loss)		-	-	-	-	-
Actuarial gain / (loss) on obligation		-	-	397,152	(13,520)	(9,372)
Experience adjustment		(4,452)	3,700	(12,429)	(35,230)	(7,763)
Assumptions gain / (loss)		-	-	-	-	-
Actuarial gain / (loss) on assets		(4,452)	3,700	(12,429)	(35,230)	(7,763)
<b>34.4.1.11 No contribution is expected in 2013 to the Gratuity Fund scheme under old regulations.</b>						
<b>34.4.2 Gratuity under Staff Regulations - 2005 (SR-2005) of the Bank</b>						
<b>34.4.2.1 General description</b>						
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 2012. Actuarial valuation was made using the following significant assumptions:

	2012	2011
	..... % .....	
Valuation discount rate	11.50	13.00
Expected rate of increase in salary	9.50	10.75
Expected rate of return on plan assets	11.50	13.00

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

	2012	2011
	Rupees in '000	
Present value of obligation as on 01 January	804,808	612,864
Current service cost	182,191	174,640
Interest cost	103,054	86,502
Benefits paid	(24,928)	(12,066)
Actuarial (gain) / loss on obligation	129,154	(57,132)
Present value of obligation as at 31 December	<u>1,194,279</u>	<u>804,808</u>

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

Total assets as on 01 January	1,038,563	730,213
Expected return on plan assets	146,888	117,361
Contributions	213,376	205,241
Benefits paid	(24,928)	(12,066)
Actuarial loss on assets	(13,283)	(2,186)
Total assets as at 31 December	<u>1,360,616</u>	<u>1,038,563</u>

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

Present value of defined benefit obligation		1,194,279	804,808
Fair value of plan assets		(1,360,616)	(1,038,563)
Net actuarial gain not recognized		12,318	160,673
Asset recognized in the statement of financial position	13.5	<u>(154,019)</u>	<u>(73,082)</u>

**34.4.2.6 Movement in net asset recognized**

Opening net assets		(73,082)	(7,947)
Charge for the year	34.4.2.7	132,439	140,106
Contribution to fund during the year		(213,376)	(205,241)
Closing net assets		<u>(154,019)</u>	<u>(73,082)</u>

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

Current service cost		182,191	174,640
Interest cost		103,054	86,502
Expected return on plan assets		(146,888)	(117,361)
Actuarial gain recognized		(5,918)	(3,675)
		<u>132,439</u>	<u>140,106</u>

**34.4.2.8 Actual return on plan assets**

	2012	2011
	Rupees in '000	
Actual return on plan assets	<u>133,605</u>	<u>115,175</u>

34.4.2.9 Composition of fair value of plan assets	2012		2011	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
Government securities	728,866	53.57	442,588	42.62
Term deposit receipts	602,820	44.30	558,840	53.81
Deposits in the Bank	17,959	1.32	19,641	1.89
Debtors and creditors	10,971	0.81	17,494	1.68
Fair value of total plan assets	1,360,616	100.00	1,038,563	100.00

34.4.2.10 Other relevant details	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
Present value of defined benefit obligation	1,194,279	804,808	612,864	551,398	388,796
Fair value of plan assets	(1,360,616)	(1,038,563)	(730,213)	(446,349)	(249,150)
(Surplus) / deficit in gratuity under staff regulations - 2005 (SR-2005)	(166,337)	(233,755)	(117,349)	105,049	139,646
Experience adjustment	(129,154)	57,132	154,132	(6,896)	325
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	(129,154)	57,132	154,132	(6,896)	325
Experience adjustment	(13,283)	(2,186)	(8,812)	2,028	12,019
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	(13,283)	(2,186)	(8,812)	2,028	12,019

Projected Gratuity Fund scheme (SR-2005) contributions for the year 2013 amounting to Rupees 236 million.

### 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 2012. Actuarial valuation was made using the following significant assumptions:

	2012	2011
	%	
Valuation discount rate	11.50	12.50
Expected rate of increase in salary	10.50	11.50

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

	2012	2011
	Rupees in '000	
Present value of obligation as on 01 January	42,651	28,047
Current service cost	6,363	6,667
Interest cost	2,603	2,714
Benefits paid	(241)	(43)
Actuarial gain on obligation	3,543	5,266
Present value of obligation as at 31 December	54,919	42,651

	Note	2012	2011
		Rupees in '000	
<b>34.4.3.4 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		54,919	42,651
Net actuarial gains not recognized		(8,208)	(4,714)
Asset recognized in the statement of financial position		<u>46,711</u>	<u>37,937</u>
<b>34.4.3.5 Movement in net (asset) / liability recognized</b>			
Opening net (asset) / liability		37,937	28,598
Charge for the year	34.4.3.6	9,015	9,382
Contribution to fund during the year		(241)	(43)
Closing net asset		<u>46,711</u>	<u>37,937</u>
<b>34.4.3.6 Expense recognized in profit and loss account</b>			
Current service cost		6,363	6,667
Interest cost		2,603	2,715
Actuarial gain recognized		49	-
		<u>9,015</u>	<u>9,382</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 2012. Actuarial valuation was made using the following significant assumptions:			
		2012	2011
		..... % .....	
Valuation discount rate		11.50	13.25
Medical inflation rate		6.25	7.50
	Note	2012	2011
		Rupees in '000	
<b>34.5.3 Changes in the present value of obligation</b>			
Present value of obligation as on 01 January		1,093,841	921,360
Current service cost		151,830	150,661
Interest cost		140,812	130,030
Past service cost		315,285	-
Benefits paid		(22,022)	(18,361)
Actuarial loss / (gain) on obligation		243,586	(89,849)
Present value of obligation as at 31 December		<u>1,923,332</u>	<u>1,093,841</u>
<b>34.5.4 Amounts recognized in the statement of financial position</b>			
Present value of defined benefit obligation		1,923,332	1,093,841
Net actuarial gain not recognized		2,463,311	2,955,323
Past service cost not recognized		(142,283)	-
Liability recognized in the statement of financial position	18	<u>4,244,360</u>	<u>4,049,164</u>
<b>34.5.5 Movement in net liability recognized</b>			
Opening net liability		4,049,164	4,052,253
Charge for the year	34.5.6	217,218	15,272
Benefits paid during the year		(22,022)	(18,361)
Closing net liability		<u>4,244,360</u>	<u>4,049,164</u>

	2012	2011
	Rupees in '000	
<b>34.5.6 Expense recognized in profit and loss account</b>		
Current service cost	151,830	150,661
Interest cost	140,812	130,030
Past service cost recognized	173,002	-
Actuarial gain recognized	(248,426)	(265,419)
	<u>217,218</u>	<u>15,272</u>

**34.5.7 Post retirement medical benefits - sensitivity analysis**

Medical cost trend (%)	5.25%	6.25%	7.25%
Obligation (Rupees in '000)	69,312	78,541	89,752
Regular cost (Rupees in '000)	9,543	11,004	12,795

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
<b>34.5.8 Other relevant details</b>					
Present value of defined benefit obligation	1,923,332	1,093,841	921,360	2,543,255	2,512,406
Deficit in post retirement medical benefits	<u>1,923,332</u>	<u>1,093,841</u>	<u>921,360</u>	<u>2,543,255</u>	<u>2,512,406</u>
Experience adjustment	(243,586)	89,849	1,988,525	360,274	(138,399)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>(243,586)</u>	<u>89,849</u>	<u>1,988,525</u>	<u>360,274</u>	<u>(138,399)</u>

**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 11.50% per annum and expected rate of increase in salary of 9.50% per annum.

	2012	2011
	Rupees in '000	
<b>34.6.1 Movement in liability recognized for compensated absences</b>		
Opening liability	343,973	798,452
Charge / (reversal) for the year	102,229	(454,479)
Closing liability	<u>446,202</u>	<u>343,973</u>

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

	2012	2011	2010	2009	2008
	..... Rupees in '000 .....				
Opening liability	343,973	798,452	1,194,349	952,253	708,771
Charged / (reversal) for the year	102,229	(454,479)	(395,897)	242,096	243,482
	<u>446,202</u>	<u>343,973</u>	<u>798,452</u>	<u>1,194,349</u>	<u>952,253</u>

**34.7 Defined contribution plan**

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2107 (2011: 2120) 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 3617 (2011: 3668) 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 63.284 million (2011: Rupees 41.102 million) in respect of this fund.



35

**COMPENSATION OF PRESIDENT, ACTING PRESIDENT, DIRECTORS AND EXECUTIVES**

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

	President		Acting President		Directors		Executives	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees in '000							
Fee	-	-	-	-	10,995	9,304	-	-
Managerial remuneration	1,645	-	5,969	1,021	-	-	2,275,547	*1,905,856
Charged for defined benefit plan	229	-	365	78	-	-	129,020	**123,479
Contribution to defined benefit or contributory fund	-	-	-	-	-	-	22,225	20,997
Rent and house maintenance	905	-	-	-	-	-	9,575	10,336
Utilities	247	-	-	-	-	-	2,689	2,584
Medical	247	-	-	-	-	-	2,250	2,929
Conveyance	222	402	-	-	-	-	1,676	2,786
Furnishing allowance	-	-	-	-	-	-	519	2,393
Club facility	11	14	-	-	-	-	-	-
	3,506	416	6,334	1,099	10,995	9,304	2,443,501	2,071,360
<b>Number of persons</b>	1	1	1	1	11	11	1,587	1,587

\* It includes an amount of Rupees 1.265 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

\*\* It includes an amount of Rupees 0.086 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

**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 Car 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								
	2012								
Total income	-	-	-	-	-	-	-	-	15,727,801
Total expenses	-	-	-	-	-	-	-	-	11,794,251
Net income before tax	-	-	-	-	-	-	-	-	3,933,550
Taxation	-	-	-	-	-	-	-	-	1,315,209
Income after tax	-	-	-	-	-	-	-	-	2,618,341
Segment assets (gross)	-	-	-	-	-	-	-	-	139,879,743
Segment non performing loans	-	-	-	-	-	-	-	-	18,907,010
Segment provision required	-	-	-	-	-	-	-	-	4,162,553
Segment liabilities	-	-	-	-	-	-	-	-	104,440,324
Segment return on net assets (%)	-	-	-	-	-	-	-	-	14.29%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.69%
	2011								
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%

## 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>2012</b>	<b>2011</b>
	... Rupees in '000' ...	
<b>The Bank</b>		
<b>Advances</b>		
Balance at the beginning of the year	15,934	18,075
Loan granted during the year	762	804
Repayment during the year	(2,163)	(2,945)
Balance at the end of the year	<u>14,533</u>	<u>15,934</u>
<b>Deposits</b>		
Deposits at the beginning of the year	7,784	10,625
Deposits received during the year	76,598	65,241
Deposits repaid during the year	(76,132)	(68,082)
Deposits at the end of the year	<u>8,250</u>	<u>7,784</u>
	<b>Key management personnel</b>	
	<b>2012</b>	<b>2011</b>
	... Rupees in '000' ...	
Mark-up / interest earned	366	654
Compensation	72,860	72,592
Post retirement benefit	4,586	4,060
Contribution to defined benefit plans	257	327
<b>The Company</b>		
Remuneration and other benefits	2,012	1,560

**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 Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

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 2012 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 2012 is 27.27% of its risk weighted exposure.

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

- Tier I capital, which includes fully paid-up capital, unappropriated profits, general reserves and after 50% deduction for investment in the equity of subsidiary company and deduction for book value of intangibles.
- Tier II 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-I capital, revaluation reserve up to a maximum of 45 % and 50% deduction for investment in the equity of subsidiary company.
- Tier III capital has also been prescribed by the State Bank of Pakistan. However, the bank currently does not have any Tier III 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 material 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:

	2012	2011
	Rupees in '000	
<b>Capital Structure</b>		
Tier I capital		
Shareholders capital	12,522,441	12,522,441
Reserves	2,831,346	2,313,441
Unappropriated profits	10,243,364	8,171,742
	25,597,151	23,007,624
Less:		
Book value of intangible	(328)	(17)
50% deduction for investment in subsidiary company	(50,000)	(50,000)
	(50,328)	(50,017)
<b>Total tier I capital</b>	25,546,823	22,957,607
<b>Tier II capital</b>		
Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323
General provision subject to 1.25% of total risk weighted assets	1,417,758	1,364,333
Revaluation reserve (upto 45%)	809,498	591,229
	5,431,579	5,159,885
Less: 50% deduction for investment in subsidiary company	(50,000)	(50,000)
<b>Total tier II capital</b>	5,381,579	5,109,885
<b>Eligible tier III capital</b>	-	-
<b>Total regulatory capital base (a)</b>	30,928,402	28,067,492

	2012	2011	2012	2011
	Capital Requirements		Risk Weighted Assets	
	Rupees in '000			
<b>Credit risk</b>				
Banks	236,600	238,395	2,366,003	2,383,949
Retail	5,582,747	5,254,195	55,827,474	52,541,953
Loans secured against residential property	65,777	71,029	657,767	710,290
Past due loans	2,060,821	2,198,250	20,608,211	21,982,496
Listed equity investments	203,794	154,920	2,037,940	1,549,202
Investments in fixed assets	117,994	116,715	1,179,939	1,167,150
Other assets	1,148,471	945,277	11,484,708	9,452,773
<b>Total credit risk</b>	9,416,204	8,978,781	94,162,042	89,787,813
<b>Market risk</b>				
Interest rate risk	18,225	-	227,814	-
Equity position risk	-	-	-	-
Foreign exchange risk	-	-	-	-
<b>Total market risk</b>	18,225	-	227,814	-
<b>Operational risk</b>				
Capital requirement for operational risks	1,521,663	1,548,706	19,020,788	19,358,820
<b>Total (b)</b>	10,956,092	10,527,487	113,410,644	109,146,633

	2012	2011
<b>Capital adequacy ratio [(a) / (b) x 100]</b>	27.27%	25.72%

## 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 is more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report is also be generated. This enables 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 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	2012			2011		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000 .....							
Cash and cash equivalents	-	1,379,587	1,379,587	-	1,188,669	1,188,669	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	16,364,711	16,364,711	-	12,015,250	12,015,250	-
Claims on banks	-	500,000	-	500,000	-	-	-
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	9,330,013	7,464,010	1,866,003	11,919,744	9,535,795	2,383,949
Claims categorized as retail portfolio	-	74,436,632	18,609,158	55,827,474	70,055,937	17,513,984	52,541,953
Claims fully secured by residential property	-	1,879,335	1,221,568	657,767	2,029,400	1,319,110	710,290
Past due loans	-	14,744,457	(5,863,754)	20,608,211	15,658,369	(6,324,127)	21,982,496
Listed equity investments	-	2,037,940	-	2,037,940	1,549,202	-	1,549,202
Investments in premises, plant and equipment and all other fixed assets	-	1,179,939	-	1,179,939	1,167,150	-	1,167,150
All other assets	-	11,484,708	-	11,484,708	9,452,773	-	9,452,773
		<u>133,337,322</u>	<u>39,175,280</u>	<u>94,162,042</u>	<u>125,036,494</u>	<u>35,248,681</u>	<u>89,787,813</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 Rupees 129,423 million (2011: Rupees 115,664 million) the financial assets which are subject to credit risk amounting to Rupees 114,574 million (2011: Rupees 114,576 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 14,924 million (2011: Rupees 9,701 million) are guaranteed by the Government 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 2012 the composition of equity investments and subsidiary is as follows:

Exposures	Available for sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	2,037,940	-
Equity investments - others	-	100,000
Total value	<u>2,037,940</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 1,998.761 million (2011: Rupees 1,459.901 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

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	92,866,329	97.51%	-	-	8,026,383	38.20%
Individuals	-	-	11,000,037	99.41%	1,240,130	5.90%
Others	2,376,111	2.49%	65,816	0.59%	11,806,126	55.90%
	95,242,440	100.00%	11,065,853	100.00%	21,072,639	100.00%

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
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%
	92,032,077	100.00%	8,962,457	100.00%	17,240,753	100.00%

#### 40.1.8 Segments by sector

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	23,917	0.22%	11,806,126	55.90%
Private	95,242,440	100.00%	11,041,936	99.78%	9,266,513	44.10%
	95,242,440	100.00%	11,065,853	100.00%	21,072,639	100.00%

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	1,042	0.01%	8,413,397	48.80%
Private	92,032,077	100.00%	8,961,415	99.99%	8,827,356	51.20%
	92,032,077	100.00%	8,962,457	100.00%	17,240,753	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

	2012		2011	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000 .....			
Agriculture, forestry, hunting and fishing	18,907,010	7,162,553	19,924,581	7,266,212
Advances to employees	19,463	19,463	22,159	22,159
	18,926,473	7,182,016	19,946,740	7,288,371

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

Private	18,907,010	7,162,553	19,924,581	7,266,212
Advances to employees	19,463	19,463	22,159	22,159
	18,926,473	7,182,016	19,946,740	7,288,371

**40.1.11 Geographical segment analysis**

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000 .....			
Pakistan	3,889,408	131,859,354	27,396,035	21,072,639
	..... Rupees in '000 .....			
	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

**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.

2012

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		
		Rupees in '000											
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	3,524,505	-	-	-	-	-	-	-	-	-	-	-	3,524,505
Balances with other banks	9,000,562	6,800,562	1,700,000	-	500,000	-	-	-	-	-	-	-	-
Investments - net	17,784,472	7,347,146	2,184,803	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,037,940	100,000	-	100,000
Advances - net	88,060,424	27,652,545	77,035	1,221,324	24,539,021	15,707,158	7,206,683	8,482,200	2,741,679	261,204	171,575	-	171,575
Other assets - net	11,053,402	-	-	-	-	-	-	-	-	-	-	-	11,053,402
	129,423,365	41,800,253	3,961,838	2,670,184	25,977,909	16,150,435	9,451,971	9,020,470	3,241,679	2,299,144	-	-	14,849,482
<b>Liabilities</b>													
Bills payable	294,024	-	-	-	-	-	-	-	-	-	-	-	294,024
Borrowings	51,292,157	22,246,402	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,688,590	-	-	-	-
Deposits and other accounts	11,096,956	2,930,848	-	57,879	4,278	-	55,456	773	65	-	-	-	8,047,657
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	35,163,420	-	-	-	-	-	-	-	-	3,204,323	-	-	35,163,420
	101,050,880	25,177,250	-	1,766,453	4,278	3,417,148	3,472,604	6,835,068	13,688,655	3,204,323	-	-	43,505,101
<b>On-balance sheet gap</b>	28,372,485	16,623,003	3,961,838	903,731	25,973,631	12,733,287	5,979,367	2,185,402	(10,426,976)	(905,179)	-	-	(28,655,619)
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>	28,372,485	16,623,003	3,961,838	903,731	25,973,631	12,733,287	5,979,367	2,185,402	(10,426,976)	(905,179)	-	-	(28,655,619)
<b>Cumulative yield / interest risk sensitivity gap</b>	28,372,485	16,623,003	20,584,841	21,488,572	47,462,203	60,195,490	66,174,857	68,360,259	57,933,283	57,028,104	-	-	28,372,485

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	129,423,365	101,050,880
Add non-financial assets:		
Investment in subsidiary company	100,000	3,412,439
Operating fixed assets	1,180,267	104,463,319
Deferred tax - net	330,150	-
Other assets	825,572	-
Total assets as per statement of financial position	131,859,354	104,463,319
Total financial liabilities		
Add non-financial liabilities:		
Other liabilities		3,412,439
Total liability as per statement of financial position		104,463,319

## 40.3.1 Mismatch of interest rate sensitive assets and liabilities

	Effective Yield / Interest rate	2011										Not exposed to Yield / Interest risk	
		Total	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	-	-	-	-	-	-	-	-	-	-	-	3,056,462	
Balances with other banks	8.79	7,051,194	4,091,146	-	-	-	-	-	-	-	-	34,104	
Investments - net	12.36	3,442,271	4,458,833	2,497,652	-	-	-	-	-	-	-	1,549,202	
Advances - net	9.00	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	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	
Borrowings	6.09	22,211,458	1,708,574	-	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-	-	
Deposits and other accounts	5.00	2,258,062	59,962	168,326	-	-	53,455	1,581	-	-	-	6,421,071	
Sub-ordinated loans	-	-	-	-	-	-	-	-	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	
<b>On-balance sheet gap</b>		24,478,142	14,827,569	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 rate sensitivity gap</b>		24,478,142	14,827,569	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 rate 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													
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	

40.4 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

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000 .....										
<b>Assets</b>										
Cash and balances with treasury banks	3,524,505	3,524,505	-	-	-	-	-	-	-	-
Balances with other banks	9,000,562	6,800,562	1,700,000	-	500,000	-	-	-	-	-
Investments - net	17,884,472	7,447,146	2,184,803	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,137,940
Advances - net	88,060,424	27,296,471	95,593	1,248,476	24,590,506	15,761,774	7,255,187	8,561,563	2,871,147	379,707
Other assets - net	11,878,974	2,682,517	421,493	417,355	2,087,491	829,766	624,369	1,064,854	1,005,425	2,745,704
Deferred tax assets - net	330,150	-	-	-	-	-	-	330,150	-	-
Operating fixed assets	1,180,267	216,024	44,018	144,722	132,054	60,395	23,207	42,586	89,961	427,300
	131,859,354	47,967,225	4,445,907	3,259,413	28,248,939	17,095,212	10,148,051	10,537,423	4,466,533	5,690,651
<b>Liabilities</b>										
Bills payable	294,024	294,024	-	-	-	-	-	-	-	-
Borrowings	51,292,157	22,246,402	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-
Deposits and other accounts	11,096,956	10,978,505	-	57,879	4,278	-	55,456	773	65	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	38,575,859	1,139,466	358,218	29,997,222	1,213,940	1,317,940	224,286	591,142	1,037,125	2,696,520
	104,463,319	34,658,397	358,218	31,763,675	1,218,218	4,735,088	3,696,890	7,426,210	17,910,103	2,696,520
Net assets	27,396,035	13,308,828	4,087,689	(28,504,262)	27,030,721	12,360,124	6,451,161	3,111,213	(13,443,570)	2,994,131
Share capital	12,522,441									
Reserves	2,831,346									
Unappropriated profit	10,243,364									
Surplus on revaluation of assets - net of tax	1,798,884									
	<u>27,396,035</u>									



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

2011

	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	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									

**40.5 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 28 March 2013 by the Board of Directors of the Bank.

**42 GENERAL**

**42.1** Comparative information has been re-classified or re-arranged in these consolidated financial statements for the purposes of better presentation.

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

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

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
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 2012**

Sr. No.	Name and address of the borrower	3 Name of individual / partners / directors	4 NIC number	5 Father/s / husband's name	6 Outstanding liabilities at beginning of the year			9 Total	10 Principal charged off	11 Interest charged off	12 Other financial relief / waiver provided	13 Total (10+11+12)
					7 Principal	8 Interest	8 Others					
												Rupees in million .....
1	ABDUL QAYOOM VILLAGE BANDI MAIRA, ABBOTABAD	ABDUL QAYOOM	121-55-364895	MIR HUSSAIN	0.099	0.438	-	0.537	-	0.524	-	0.524
2	JUMA KHAN C/O GULAM SHAH USTA MOHD MUHD HUSSAN	JUMA KHAN	608-30-045833	MUHD BUX	0.107	1.263	-	1.370	0.107	1.155	-	1.262
3	C/O GULAM MIRU SHAH USTAN DILI JAN	MUHD HUSSAN	607-22-027820	RAZA MUHD	0.060	0.533	-	0.593	0.060	0.501	-	0.561
4	SOBHAWAH YAR MOHD	DILI JAN	607-62-104318	ABDULLAH	0.051	0.887	-	0.938	-	0.867	-	0.867
5	MOUZA FARIDABAD MR GHULAM MOHAMMAD	YAR MOHD	621-53-036482	MOHD YOUSAF	0.122	1.176	-	1.297	0.122	1.128	-	1.249
6	NOUZBAND KHAMISO	MR GHULAM MOHAMMAD	607-51-026093	JAN MOHAMMAD	0.106	0.532	-	0.638	-	0.567	-	0.567
7	DEH DADAH, TANDO BHAGO GHULAM MUSTFA	KHAMISO	4580240171232	KHAIR MOHAMMAD	0.095	0.657	-	0.752	0.095	0.657	-	0.752
8	DEH KARI MUHAMMAD ALI, TANDO GHULAM ALI MST IMAM ZADI	GHULAM MUSTFA	458-59-155433	GHULAM HAYDAR	-	0.607	-	0.607	-	0.607	-	0.607
9	VILL. KORAKI, TANDO ALLAHYAR MUHAMMAD HUSSAIN	MST IMAM ZADI	454-50-212956	SHAH NAWAZ	0.305	0.303	-	0.608	0.305	0.202	-	0.507
10	MIAN WALA TEH PINDI GHEB M/S INDUS VALEY SOLVENT OIL	MUHAMMAD HUSSAIN	205-31-028083	ABDULLAH SHAH	110.017	18.729	-	128.745	-	105.753	-	105.753
	7-A SUNSET BOULEVARD DHA, PHASE II, KYC 7/B, 4TH CENTRAL LANE, DHA, KARACHI	ABDUL HAFIZ PIRZADA	101-35-000020	LATE ABDUS SAITTA PIRZADA	0.985	1.238	-	2.223	-	1.081	-	1.081
	7-B 4TH CENTRAL LANE DHA 7/A SUNSET BOULEVARD, DHA, PHASE II, KYC	SHAFIQ ALI SYED TAUFIQ ALI SYED	514-41-095366 513-39-002178	LATE RAZA ALI SYED LATE RAZA ALI SYED								
	7-B 4TH CENTRAL LANE DHA PHASE II, KYC 7-A SUNSET BOULEVARD DHA PHASE II, KYC	MISS SEHAR PIRZADA MRS. PERVEEN TAUFIQ ALI	101-88-317620 513-39-002179	D/O ABDUL HAFEZ PIRZADA W/O TAUFIQ ALI SYED								
	7-A SUNSET BOULEVARD DHA PHASE II, KYC 7-A SUNSET BOULEVARD DHA, PHASE II, KYC	ABDUL HASEEB PIRZADA MRS. SADIYA PIRZADA	101-86-216737 101-88-000021	W/O ABDUL HAFEZ PIRZADA W/O ABDUL HAFEZ PIRZADA								
11	AFZAL ALI KHAN E-128 PECHS BLOCK 2 PECHS, KARACHI	AFZAL ALI KHAN	422-0175210-71	AMIN NOOR KHAN	0.092	0.872	-	0.965	-	0.965	-	0.965
	MIRZA IQBAL ALI B-393 BLOCK-13 FB-AREA	MIRZA IQBAL ALI	421-01340605-00	MIRZA AZIZ MISRI								
12	MIR MOHAMMAD K.B.R COLONY BROHI GOTH, GADAP	MIR MOHAMMAD	501-39-638094	PIR MOHAMMAD	1.562	0.131	-	1.693	-	1.123	-	1.123
13	M/S BIO TEK LIMITED 159/AA DHA, LAHORE	JAVED QURESHI	3520015299705	MUZZAFFAR UD DIN								
	36 SAIGAL ESTATE, LAHORE 58 DIL KHUSHA BAGH MODEL TOWN, LHR	HUMAMALIK SHAMSUL ISLAM KHAN	270-50-384255 272-49-253412	D/O NAZIR AHMED M I KHAN								
	114-A-3, GULBERG III, LAHORE M/S F.Z. TANNERS PVT LTD.	ABU SHOAB ISLAHI M. SAFDAR BAJWA	270-62-348319 277-22-096351	ABU SALEH ISLAHI CH. SHER MUHAMMAD	9.420	5.139	-	14.559	-	14.559	-	14.559
14	1 TUFALL ROAD, LAHORE CANTT											



"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 2012**

1 Sr. No.	2 Name and address of the borrower	3 Name of individual / partners / directors	4 NIC number	5 Father's / husband's name	6 Outstanding liabilities at beginning of the year			9 Total	10 Principal charged off	11 Interest charged off	12 Other financial relief / waiver provided	13 Total (10+11+12)
					Principal	Interest	Others					
31	GHULAM MUHAMMAD DEH DADI, TALUKA TANDO ADAM, SANGHAR VILLAGE KOTHEY WALA, MULTAN VILLAGE KOTHEY WALA, MULTAN VILLAGE KOTHEY WALA, MULTAN VILLAGE KOTHEY WALA, MULTAN MS AL SEEMI COTTON GINNING	GHULAM MUHAMMAD FALIK SHER ALTAF AHMAD KHIZER HAYAT HASHMAT BIBI S. MUHAMMAD SOHAIB BUKHARI	488-86-032892 36303-2011735 99212-85127926 98323-50415161 99323-59420342 322-61-518240	SHAH NAWAZ KHAN SIKANDER KHAN ABDUL GHANI SIKANDER KHAN FALAK SHER MUHAMMAD SIDDIQUE BUKHARI	5.004 11.375 - - - 1.250	11.375 - - - - 1.265	- - - - - - 2.515	16.379	- 8.672 - - - 1.992	- - - - - -	- 8.672 - - - - -	8.672 - - - - 1.992
32	H.NO.15 QUAADE AZAM ROAD MULTAN 15 MALL ROAD MULTAN CANTT	SIDDIQUE AKBER BUKHARI	322-34-518238	SYED ABDUL GHANI BUKHARI								
	H NO 1854 KHANEWAL ROAD H NO 573 DI KHAN H NO 1051 KHANEWAL ROAD MULTAN H NO 1054 KHANEWAL ROAD MULTAN 15/MALL ROAD MULTAN	SALAHUDDIN KHAN SAMINA ALI ZIA SHAISTA ALI ZIA ZAHIDA SALAHUDDIN JAHAN ARA SADIQ	322-40-082453 149-63-401795 322-64-758540 322-41-608958 322-40-518239	W/O HAFEEZULLAH KHAN W/O AZMAT KHAN W/O SALAHUDDIN KHAN W/O SIDDIQUE AKBER BUKHARI								
33	174/D PECHS, KARACHI 15 MALL ROAD MULTAN 15 MALL ROAD MULTAN RASHIDA BEGUM NASEER PUR	DR. SAIMA BUKHARI FUHAIR AKBAR SHUJAUDDIN KHAN RASHIDA BEGUM	322-85-518241 322-86-734444 322-86-608958 3229529032687	D/O SIDDIQUE AKBER BUKHARI FAROOQ AKBAR BUKHARI SALAHUDDIN KHAN MUHAMMAD NAWAZ	0.415	0.271	0.685	-	0.678	-	-	0.678
34	ALI MOHAMMAD KHAN VILL GORAH, TEHSIL PLANDRI, DISTT. SUDHNOTI AK GORAH	ALI MOHAMMAD KHAN MAKTHAR KHAN	8240147182512 8240150162212	HUSHMAT ALI KHAN M YOUQAB KHAN	0.490	0.677	1.167	-	0.657	-	-	0.657
35	ABDUL KHALAQ GORAH NIAZ AHMED VILL. MOHRWALA, MUZAFFARGARH KABIR AHMED VILL. MOHRWALA, MUZAFFARGARH KHUDA BUX VILL. RUKEN WALI, SHAHR SULTAN	ABDUL KHALAQ NIAZ AHMED KABIR AHMED KHUDA BUX ALLAH DITTA	315-42-111110 315-44-257720 31843-358067 318 55 313008	UMER BUX UMER BUX HAJI AHMED ALLAH BUX	4.350	9.597	13.947	-	9.440	-	-	9.440
36	VILL. RUKEN WALI, SHAHR SULTAN ALLAH DITTA QADIR BUX VILL. RUKEN WALI, SHAHR SULTAN MURS	ALLAH DITTA QADIR BUX MURS	318 13 325649 45402-0498241-7	ALI MUHAMMAD H-JUMA KHAN	0.496	0.687	1.182	-	0.662	-	-	0.662
37	DEH. 9 DAD. TALUKA DAUR, NAWABSHAH NASEEM ABBAS	MURS	318 13 325649	ALI MUHAMMAD	0.499	0.587	1.086	-	0.652	-	-	0.652
38	DEH. 9 DAD. TALUKA DAUR, NAWABSHAH NASEEM ABBAS	MURS	45402-0498241-7	H-JUMA KHAN	0.325	0.527	0.852	-	0.525	-	-	0.525
40	DEH. 9 DAD. TALUKA DAUR, NAWABSHAH NASEEM ABBAS	NASEEM ABBAS	336-65-441060	MULAK SHAH	0.113	0.862	0.975	-	0.875	-	-	0.875

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 2012

Sr. No.	Name and address of the borrower	3 Name of individual / partners / directors	4 NIC number	5 Father/s/ husband's name	6 Outstanding liabilities at beginning of the year			7 Rupees in million			12 Other financial relief / waiver provided Others financial relief / waiver provided	13 Total (10+11+12) Total
					Principal	Interest	Others	Principal charged off	Interest charged off	Total		
41	VILLAGE HAJRA, HAJRA SHAH MUQEEM MAYA KHAN	MAYA KHAN	138-24-417299	AWAL KHAN	0.565	1.261	-	1.826	-	1.258	-	1.258
42	NOWSHERA KHURD NOWSHERA SHER MOHAMMAD	SHER MOHAMMAD	137-32-162835	ABDUL HASHIM	0.263	0.543	-	0.806	-	0.536	-	0.536
43	VILL TILBAND P/O MATTANI BADABER, PESHAWAR ABDUL GHANI	ABDUL GHANI	54303-20222039	MUHAMMAD AMEEN	0.105	0.902	-	1.007	-	0.902	-	0.902
44	VILLAGE KILLIBATEZAI, PISHIN ABDUL JABBAR	ABDUL JABBAR	54201-24398599	NAZAR MOHAMMAD	0.391	0.581	-	0.972	-	0.581	-	0.581
45	VILLARAMILY MASSAZAI, PISHIN GHAZI KHAN	GHAZI KHAN	626-45-014141	SOBHA KHAN	0.030	0.888	-	0.918	-	0.843	-	0.843
	KODI DASHT MATGORA, MASTUNG MOHD HAYAT	MOHD HAYAT	626-45-014141	GHAZI KHAN								
46	KODI MIAN KHAN DAIRY FARM	MIAN KHAN	641-86-180575	ALI MOHD	2.270	5.852	-	8.121	-	4.476	-	4.476
	VILLARAM BAGH, KHUZDAR MIAN KHAN DAIRY FARM	MIAN KHAN	641-86-180575	ALI MOHD								
47	MOUCH GOUTH MUHAMMAD YOUSAF	MUHAMMAD YOUSAF	51403-42123467	H M SHARIF	0.092	0.566	-	0.658	-	0.635	-	0.635
48	VILL MEHANDAR, TEHSIL WADH MIR AHMED KHAN	MIR AHMED KHAN	627-44-005934	MIR SHER MUHAMMAD	0.583	1.247	-	1.830	-	0.664	-	0.664
49	VILLAGE BADRY, WADH AMIR KHAN	AMIR KHAN	54400-61939869	SHAHBAZ KHAN	0.381	0.506	-	0.887	-	0.602	-	0.602
50	VILL CHACHAZAI PANJAPAI, QUETTA MST LATIF BEGUM	MST LATIF BEGUM	9935936375577	SARDAR M. NAWAZ KHAN	0.051	0.871	-	0.922	-	0.846	-	0.846
51	CHAK FAIZ AHMED EJAZ AHMAD	EJAZ AHMAD	333-53-145115	MUHAMMAD HASSAN	4.573	4.565	-	9.138	-	4.195	-	4.195
	599-B/1 PERNAMI MOHALA SAHIWA ATAZAH AHMAD	ATAZAH AHMAD	333-85-084743	MUHAMMAD HASSAN								
	GHALI NO. 3, Z BLOCK, TARIQ BIN ZIAD COLONY, SWL MST ZENAB	MST ZENAB	333-33-084742	MUHAMMAD HASSAN								
	599/B-1 PERNAMI MOHALA SAHIWAL RAZIA BEGUM	RAZIA BEGUM	224-49-141109	MUHAMMAD HASSAN								
	H.NO. B-17,/681, MOHALLAH AZIZABAD, GUJRAT SHENAZ BEGUM	SHENAZ BEGUM	333-33-084742	MUHAMMAD HASSAN								
	599/B-1 PERNAMI MOHALA SAHIWAL MUHAMMAD MAZHAR	MUHAMMAD MAZHAR	333-86-034648	MUHAMMAD ANWAR								
52	H.NO 7, 28-A CIVIL LINE, SAHIWAL TARIQ MAHMOOD	TARIQ MAHMOOD	338-54-027639	MUHAMMAD KHAN	1.319	1.944	-	3.263	-	1.920	-	1.920
	139/EB, ARIFWALA, SAHIWAL SHAHID IQBAL	SHAHID IQBAL	36200-2817131-3	KHUDA DAD KHAN								
53	139/EB, ARIFWALA, SAHIWAL MUHAMMAD KHAN	MUHAMMAD KHAN	338-1727024-6	ATTA MUHAMMAD	0.762	0.699	-	1.461	-	0.699	-	0.699
54	139/EB, ARIFWALA, SAHIWAL QASIM ALI	QASIM ALI	338-2714359-8	NIZAM DIN	0.494	0.587	-	1.081	-	0.547	-	0.547









# STATISTICAL ANNEX





## **C O N T E N T S**

- 1     SELECTED FINANCIAL AND STATISTICAL INDICATORS**
  
- 2     DISBURSEMENT**
  - 2.1    LOANS DISBURSED SINCE INCEPTION : AREA-WISE
  - 2.2    LOANS DISBURSED : AREA-WISE
  - 2.3    TERM-WISE COMPOSTION OF LOANS DISBURSED
  - 2.4    LOANS DISBURSED : SECURITY-WISE
  - 2.5    ANNUAL CREDIT DISBURSEMENT,TRACTORS & TUBEWELLS FINANCED SINCE INCEPTION
  - 2.6    AGRI. CREDIT DISBURSED BY MAJOR PURPOSES
  - 2.7    AGRI.CREDIT DISBURSED : SIZE OF LOAN
  - 2.8    AGRI.CREDIT DISBURSED : SIZE OF HOLDING
  
- 3     RECOVERY**
  - 3.1    RECOVERY POSITION
  - 3.2    CUMULATIVE RECOVERY SINCE INCEPTION
  
- 4     STAFF POSITION**
  
- 5     NETWORK OF FIELD OFFICES**

## 1. SELECTED FINANCIAL AND STATISTICAL INDICATORS

( RUPEES MILLION )

S. No.	DESCRIPTION	2008	2009	2010	2011	2012
<b>DURING THE YEAR</b>						
1	AGRICULTURAL CREDIT DISBURSED	70698	77680	69561	65452	64133
2	LOANS TO SUBSISTENCE FARMERS	45822	52089	47135	44606	45207
3	2 AS %AGE OF 1	65%	67%	68%	68%	70%
4	LOANS TO SMALL FARMERS ( UPTO 25.0 ACRES )	61105	67992	61174	58066	57617
5	4 AS %AGE OF 1	86%	88%	88%	89%	90%
6	FINANCING OF TRACTORS					
	- NUMBER	16143	24596	13321	908	7296
	- AMOUNT	5741	9995	6270	431	3594
7	6 AS %AGE OF 1	8%	13%	9%	1%	6%
8	AGRI. CREDIT RECOVERY	65937	69549	71936	72422	67376
9	CUMMULATIVE RECOVERY (%)	98%	99%	99%	99%	99%
10	TOTAL INCOME	14263	15165	13248	12581	15737
11	TOTAL EXPENDITURE	10275	11115	10370	9302	11848
12	PROFIT BEFORE TAXATION	3988	3373	2879	3277	3889
<b>AT THE END OF THE YEAR</b>						
1	TOTAL ASSETS	102341	112619	117586	122468	131859
2	LOAN PORTFOLIO ( NET )	69923	81974	84793	84744	88060
3	NUMBER OF ZONAL OFFICES	25	26	27	31	31
4	NUMBER OF BRANCHES	342	347	355	359	359
5	NUMBER OF MCO's	1243	1212	1362	1277	1313
6	NUMBER OF STAFF	5286	5274	5494	5789	5724

### 2.1 LOANS DISBURSED SINCE INCEPTION: AREA-WISE UPTO 31.12.2012

( RUPEES MILLION )

S. No.	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	640108.754	77.2
2	SINDH	125000.996	15.1
3	KHYBER PAKHTUN KHWA	47908.093	5.8
4	BALUCHISTAN	9565.903	1.1
5	AZAD KASHMIR	3278.352	0.4
6	GILGIT/BALTISTAN	3034.620	0.4
<b>TOTAL</b>		<b>828896.718</b>	<b>100.0</b>



## 2.2 LOANS DISBURSED : AREA-WISE DURING 01-01-2012 TO 31-12-2012

( RUPEES MILLION )

S. No.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	344664	51940.772	81.0
2	SINDH	36226	8209.199	12.8
3	KHYBER PAKHTUN KHWA	18242	3435.714	5.4
4	BALUCHISTAN	618	130.877	0.2
5	AZAD KASHMIR	5653	251.706	0.4
6	GILGIT/BALTISTAN	989	164.491	0.2
<b>TOTAL</b>		<b>406392</b>	<b>64132.759</b>	<b>100.0</b>

## 2.3 TERM-WISE COMPOSITION OF LOANS DISBURSED DURING 01-01-2012 TO 31-12-2012

( RUPEES MILLION )

S. 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	293464	41371.189	38331	6100.873	12869	4468.710	344664	51940.772
2	SINDH	32100	7469.139	3636	565.001	490	175.059	36226	8209.199
3	KHYBER PAKHTUN KHWA	13394	2789.488	4509	487.301	339	158.925	18242	3435.714
4	BALUCHISTAN	485	94.780	61	7.723	72	28.374	618	130.877
5	AZAD KASHMIR	4902	177.658	727	63.362	24	10.686	5653	251.706
6	GILGIT/BALTISTAN	493	112.386	478	46.770	18	5.335	989	164.491
<b>TOTAL</b>		<b>344838</b>	<b>52014.640</b>	<b>47742</b>	<b>7271.030</b>	<b>13812</b>	<b>4847.089</b>	<b>406392</b>	<b>64132.759</b>

## 2.4 LOANS DISBURSED: SECURITY - WISE DURING 01.01.2012 TO 31.12.2012

( RUPEES MILLION )

S.No	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	399113	63230.567	98.6
2	HYPOTHECATION LOANS	176	38.330	0.1
3	PERSONAL SURETY LOANS	4372	102.002	0.1
4	OTHER SECURITY	2731	761.860	1.2
<b>TOTAL</b>		<b>406392</b>	<b>64132.759</b>	<b>100.0</b>

## 2.5 ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED SINCE INCEPTION UPTO 31-12-2012

( 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
CY' 2012	64132.759	7296	3594.398	2051	524.817
<b>TOTAL:-</b>	<b>828896.718</b>	<b>550894</b>	<b>110595.299</b>	<b>153506</b>	<b>16749.997</b>

## 2.6 AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES DURING 01-01-2012 TO 31-12-2012

( RUPEES MILLION )

PURPOSES		NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<b>I. DEVELOPMENT LOANS</b>		<b>61554</b>	<b>12118.118</b>	<b>18.9</b>
1	TRACTORS	8517	3594.398	5.6
2	DAIRY FARMING	42221	6631.523	10.3
3	FARM EQUIPMENT	1404	302.806	0.5
4	TUBEWELLS	2189	524.816	0.8
5	LIVESTOCK	3500	442.016	0.7
6	POULTRY FARMING	12	5.017	0.0
7	ORCHARDS	526	102.258	0.2
8	LAND DEVELOPMENT	302	30.475	0.0
9	FISHERIES	4	0.630	0.0
10	FARM TRANSPORTATION	13	1.139	0.0
11	GODOWN/ COLD STORAGE	1577	359.019	0.6
12	OTHERS	1289	124.021	0.2
<b>II. PRODUCTION LOANS</b>		<b>344838</b>	<b>52014.641</b>	<b>81.1</b>
1	FERTILIZER	165522	24967.028	39.0
2	PESTICIDES	65519	9882.782	15.4
3	SEEDS	96555	14564.100	22.7
4	LABOUR HIRE/ OTHER CHARGES	6	0.297	0.0
5	WORKING CAPITAL FOR POULTRY	2955	271.116	0.4
6	WORKING CAPITAL FOR DAIRY	3190	576.502	0.9
	WORKING CAPITAL FOR LIVESTOCK	23	4.408	0.0
8	WORKING CAPITAL FOR FISHERIES	4	1.081	0.0
9	OTHERS	11064	1747.327	2.7
<b>TOTAL:-</b>		<b>406392</b>	<b>64132.759</b>	<b>100.0</b>

## 2.7 AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN DURING 01-01-2012 TO 31-12-2012

( RUPEES MILLION )

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	15764	3.9	302.363	0.5
RS.25001 TO 50000/-	52485	12.9	2021.582	3.1
RS.50001 TO 100000/-	119861	29.5	9181.352	14.3
RS.100001 TO 200000/-	110383	27.2	15435.881	24.1
RS.200001 TO 500000/-	97317	23.9	30255.978	47.2
RS.500001 TO 1000000/-	9920	2.4	5825.807	9.1
OVER 1000000/-	662	0.2	1109.796	1.7
<b>TOTAL:-</b>	<b>406392</b>	<b>100.0</b>	<b>64132.759</b>	<b>100.0</b>

## 2.8 AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING DURING 01-01-2012 TO 31-12-2012

( RUPEES MILLION )

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
<b>A. LANDLESS</b>	1901	0.5	70.638	0.1
<b>B. OWNERS</b>				
UNDER 5.1 HECTARES ( UNDER 12.5 ACRES )	332780	81.9	44054.812	68.7
5.1 TO UNDER 6.5 HECTARES ( 12.5 TO UNDER 16 ACRES )	23911	5.9	5764.088	9.0
6.5 TO UNDER 10.1 HECTARES ( 16 TO UNDER 25 ACRES )	25389	6.2	7727.933	12.1
10.1 TO UNDER 13 HECTARES ( 25 TO UNDER 32 ACRES )	8356	2.0	2422.393	3.8
13 TO UNDER 20.2 HECTARES ( 32 TO UNDER 50 ACRES )	7158	1.8	2270.190	3.5
20.2 TO UNDER 26 HECTARES ( 50 TO UNDER 64 ACRES )	2386	0.6	647.209	1.0
26 HECTARES & ABOVE ( 64 ACRES & ABOVE )	4511	1.1	1175.496	1.8
<b>TOTAL:-</b>	<b>406392</b>	<b>100.0</b>	<b>64132.759</b>	<b>100.0</b>

### 3.1 RECOVERY POSITION DURING 01-01-2012 TO 31-12-2012

( RUPEES MILLION )

S. No.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	59908.426	54724.031	91.3
2	SINDH	9580.285	8313.701	86.8
3	KHYBER PAKHTUN KHWA	4258.917	3797.004	89.2
4	BALUCHISTAN	172.158	133.111	77.3
5	AZAD KASHMIR	266.357	263.062	98.8
6	GILGIT/BALISTAN	181.522	145.226	80.0
<b>TOTAL</b>		<b>74367.665</b>	<b>67376.135</b>	<b>90.6</b>

### 3.2 CUMMULATIVE RECOVERY SINCE INCEPTION UPTO 31.12.2012

( RUPEES MILLION )

S.No.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2012	RECOVERY RATE (%)
1	PUNJAB	657065.946	651881.551	5184.395	99.2
2	SINDH	122452.106	121185.522	1266.584	99.0
3	KHYBER PAKHTUN KHWA	49519.063	49057.150	461.913	99.1
4	BALUCHISTAN	7205.485	7166.438	39.047	99.5
5	AZAD KASHMIR	3064.783	3061.488	3.295	99.9
6	GILGIT/BALISTAN	2886.167	2849.871	36.296	98.7
<b>TOTAL</b>		<b>842193.550</b>	<b>835202.020</b>	<b>6991.530</b>	<b>99.2</b>

#### 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
CY' 2012	4095	1629	5724	1313

#### 5. NETWORK OF FIELD OFFICES AS ON 31.12.2012

( NUMBERS )			
S.No.	PROVINCES	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>







**ZTBL**

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