



entity ratings



Long term **A** Short term **A2**

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the medium to long term entity rating of the Bank from 'A-' (Single A Minus) to 'A' (Single A) while maintaining the short term rating at 'A-2' (A Two). Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term entity rating of the Bank to "A-" (Single A Minus) and short term entity rating at "A2" (A Two). Rating outlook is "Positive".

The ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.



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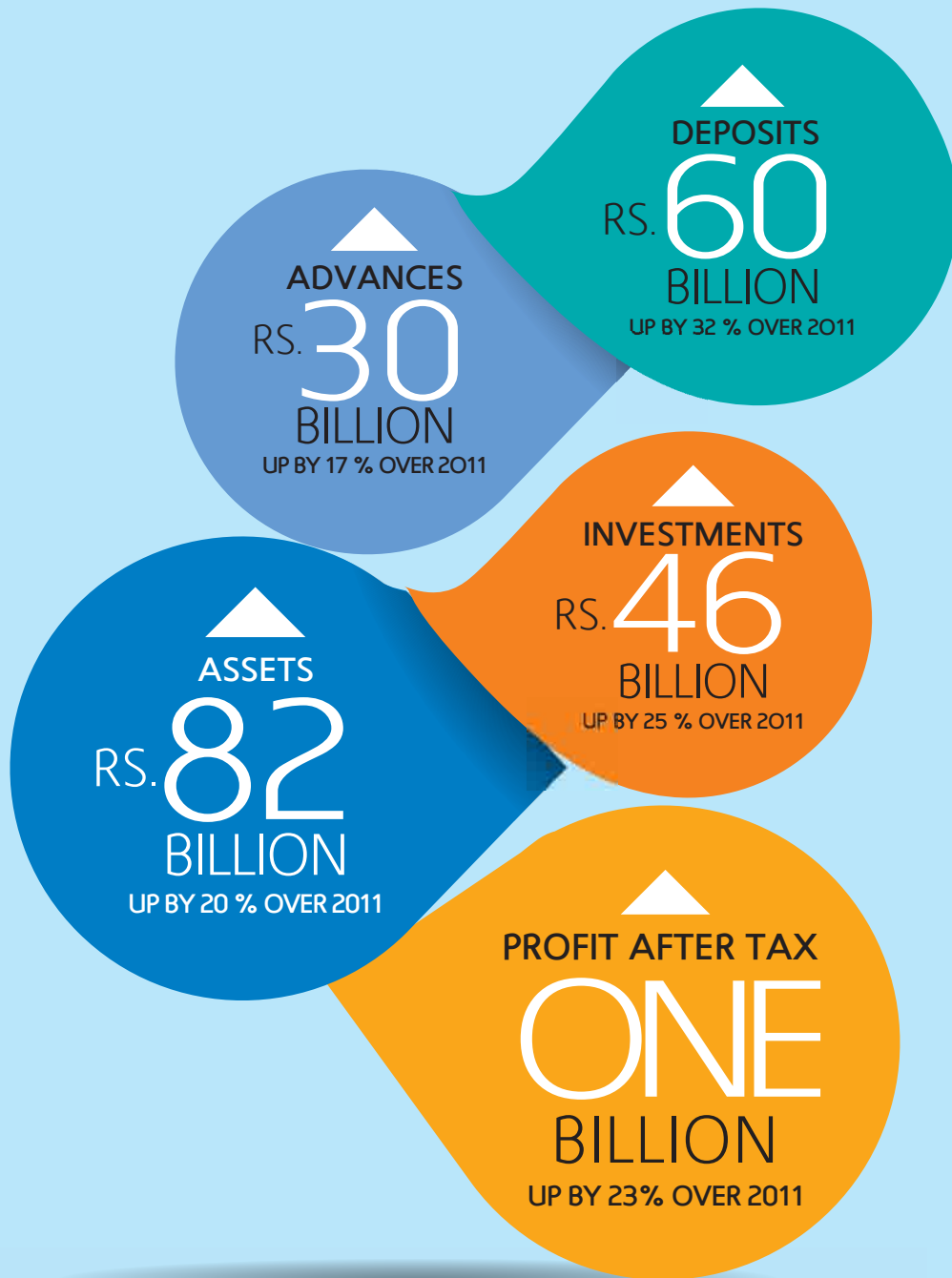
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milestones achieved





serving with distinction & pride



We embarked upon our journey 22 years ago, as one of the public sector bank, catering to the banking needs of our people. After successfully coming out of all sort of challenges, today we are all set to be a bank that is present almost in every part of the country.

Alhamdulillah, as a mainstream bank now, we enjoy the unique distinction of offering the best of Islamic as well as Conventional banking at our entire network of branches.

No doubt Khyber Pakhtunkhwa is our forte but we have successfully outgrown to other areas of the country like Federal Capital, Punjab, Sindh, Azad Kashmir and Baluchistan.

After passing through an arduous journey of over two decades, now it is beginning of a new journey for us. As a dynamic bank, we are not confining ourselves only to Pakistan, but we aspire to go beyond in the months and years ahead. To begin with, our Bank plans to extend the network to Kabul and then Dubai where there is largest concentration of our people. Our ultimate aim is to serve every Pakistani with distinction and pride.



OUR vision & mission

Vision

To become a leading Bank providing efficient and dynamic services in both Islamic and Conventional banking through expanded nationwide network.

Mission

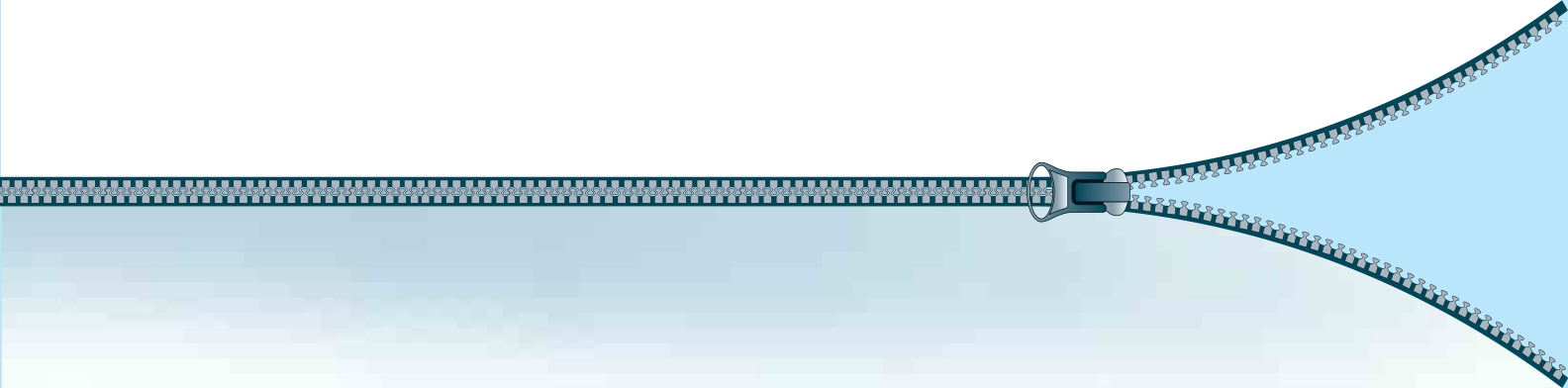
To increase shareholders' value and provide excellent service and innovative products to customers through effective corporate governance, friendly work environment and contributing towards an equitable socioeconomic growth.

Core Values

Highest quality of service <
 Professionalism <
 Integrity <
 Team Work <
 Innovation and utilization of latest <
 technology
 Risk Mitigation <
 Corporate Social Responsibility <

Objectives

- > Provide value added services through operational expansion, geography and upgraded systems
- > Build and manage a diversified equity portfolio promising optimum returns
- > Mobilize funds in a cost effective manner to meet the financing needs
- > Achieve sustainable growth and be competitive in commercial operations
- > Undertake Islamic & Conventional banking services and participation in financing syndicates
- > Build a corporate culture of equality, trust and team spirit as we remain dedicated to be a socially responsible organization



company information



Board of Directors

Attaullah Khan
Chairman

Bilal Mustafa
Managing Director / CEO

Sahibzada Saeed Ahmad
Director

Maqsood Ismail Ahmad
Director

Mir Javed Hashmat
Executive Director

Sajjad Ahmad
Director

Javed Akhtar
Director

Asad Muhammad Iqbal
Director

Audit Committee

Asad Muhammad Iqbal
Chairman
Sahibzada Saeed Ahmad
Sajjad Ahmad
Javed Akhtar

Risk Management Committee

Javed Akhtar
Chairman
Maqsood Ismail Ahmad
Sajjad Ahmad
Mir Javed Hashmat
Bilal Mustafa

HR & Remuneration Committee

Sajjad Ahmad
Chairman
Asad Muhammad Iqbal
Javed Akhtar
Mir Javed Hashmat
Bilal Mustafa

Chief Financial Officer

Rahat Gul
Tel: +92-91 526 0920
Fax: +92-91 528 7401

Company Secretary

Zahid Sahibzada
Tel: +92-91 527 0982
Fax: +92-91 525 3977
E-mail: companysecretary@bok.com.pk

Registered Office/Head Office

The Bank of Khyber, 24 - The Mall
Peshawar Cantt.
UAN# +92-91-111 95 95 95
Web: www.bok.com.pk

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Nisar Ahmed Khan
Advocate, Peshawar
M/s. Mohsin Tayebaly & Co., Karachi

Registrar and Share Registration Office

THK Associates (Pvt) Ltd
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi – 75530. Pakistan.



OUR products/services



Deposit Schemes

- Khyber Friendly Munafa Scheme
- Current Benefit Account
- Be-Baha Mahana Amadani
- Regular Amdani Scheme
- Foreign Currency Deposit



Advances

Financing Options

- Corporate Financing
- Commercial Financing
- SME Financing
- Consumer Financing
- Micro Financing
- Agriculture Financing
- Project Financing

Products

- Cash Finance
- Running Finance
- Demand Finance
- Trade Finance
- Export Refinance
- House / Auto / Salary Loans
- Letter of Credit
- Letter of Guarantee



Agriculture Credit Schemes

- Sada Bahar Zarai Loan Scheme
- Credit Guarantee Scheme
- Agriculture Refinance Loan Scheme
- Livestock Loan Scheme
- Dairy Storage Loan Scheme
- Dairy Marketing Loan Scheme
- Tractor Loan Scheme
- Farm Machinery Loan Scheme
- Tube Well Loan Scheme



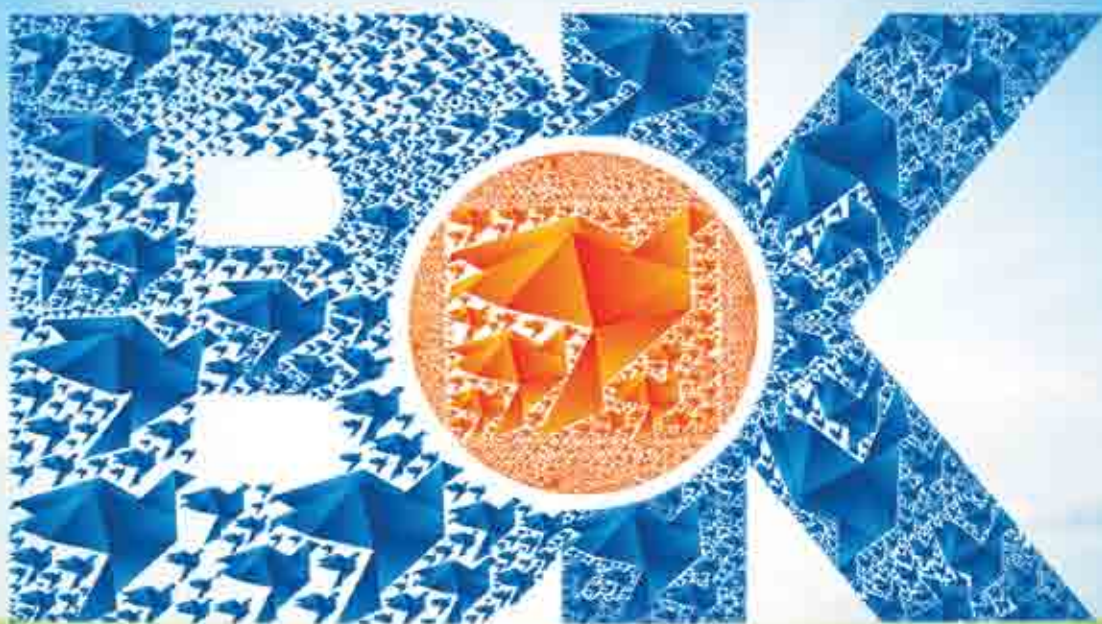
Islamic Banking

- Murabaha
- Musharaka
- Mudaraba
- Ijara
- Ijara wa Iqtana
- Istisna
- Deposit Schemes
- Bill collection under Wakala



Online Banking

The Bank of Khyber offers Online Banking Facility to its customers at branches all over Pakistan. Cash may be accepted at a branch for crediting accounts at another branch. Cheques can be paid by a branch by debiting the customer's account at another branch.



board profile



Attaulah Khan

Chairman

Non-Executive Director

Mr. Attaulah Khan is a senior civil servant belonging to the District Management Group. Mr. Khan has vast experience of 32 years in management, administration and planning to his credit which includes various top hierarchy positions at provincial and federal governments level. He is a law graduate and has attended various national and international courses. He currently holds the office of Additional Chief Secretary of the Government of Khyber Pakhtunkhwa.

Bilal Mustafa

Managing Director / CEO

Mr. Bilal Mustafa is a career banker having over 38 years of professional banking experience. He joined Habib Bank Ltd. in 1968 as an officer and later on associated himself with Allied Bank (then Australasia Bank) in 1973. He rose to the position of SEVP (Group Chief) and retired in year 2007. He attended various national and international courses.

Mir Javed Hashmat

Executive Director

Mir Javed Hashmat is a Mechanical Engineer having 29 years of rich banking experience. He started his career with the Industrial Development Bank of Pakistan in 1974 and left the Bank in 1999 as Senior Vice President. Mr. Hashmat has attended number of national and international courses, and has also received certification in Project Evaluation, Implementation & Supervision from Manila, Phillipines. He has been certified as Director by Pakistan Institute of Corporate Governance.

Sahibzada Saeed Ahmad

Non-Executive Director

Sahibzada Saeed Ahmad has extensive experience of 36 years of public sector institutions ranging from Pakistan Navy to Civil Service and from District Administration to Education sector. He has done his masters in Business Administration with specialization in Project Management and Finance & Accounts. He is presently serving as Secretary Finance, Government of Khyber Pakhtunkhwa.



Maqsood Ismail Ahmad

Non-Executive Director

Mr. Maqsood Ismail Ahmad is a professional businessman of the Country having diversified experience from manufacturing to power generation and commodities business. He is on the boards of different companies and remained Chairman/President of different business forums viz. Federation of Pakistan Chambers of Commerce & Industry, Export Processing Zones Authority, Pakistan Yarn Merchants Association. He also represented Pakistan as a businessman in official delegations to different countries. Mr. Ahmad is a Bachelor of Science in Economics and Political Science from University of Delaware, United States of America.

Sajjad Ahmad

Non-Executive Director

A businessman by profession, Mr. Sajjad Ahmad has an experience of 27 years in the field of manufacturing of lamps & fluorescent tube lights and energy savers. Currently, he is holding the position of Group Chief Executive. Mr. Sajjad has done his graduation from Peshawar University and is a member of different social organizations.

Javed Akhtar

Independent Director

Mr. Javed Akhtar is associated with the textile industry. Apart from managing his own group of companies, he is also the Chairman, Fashion Apparel Designing and Training Institute (FADIN), Member Managing Committee and currently member General Body of the Federation of Pakistan Chamber of Commerce & Industry (FPCCI). He also remained Director of Karachi Cotton Association and held the position of Chairman, Pakistan Cotton Fashion Apparel Exporters Association during 1997 – 1998 and 2001 – 2003. Mr. Javed Akhtar holds a Bachelors Degree from the University of Karachi.

Asad Muhammad Iqbal

Independent Director

Mr. Asad holds a Bachelor Degree in Computer Science from Carnegie Mellon University, USA. He has diversified experience in equities, asset management and software development. He served as Vice President, Equities Division at Goldman Sacks & Company, N.Y., USA. He has also remained a Director of the Karachi Stock Exchange. Presently, he is executing his duties as Chief Executive of Streetware Systems, a software development company engaged in developing solutions for the financial institutions.

from the managing director

We bow with gratitude

We are so great full to God Almighty for his blessings as our Bank has been able to close the most successful year of its history.

During the FY 2012, our bank posted outstanding financial performance. We posted highest profits and continued to expand our network to serve in every part of the country. Our deposits have also been increased substantially.

To our great delight, our bank is going to initiate the most cherished projects viz.

Implementation of the Core Banking Application, Business Process Improvement and the construction of state-of-the art Head Office building in Peshawar.

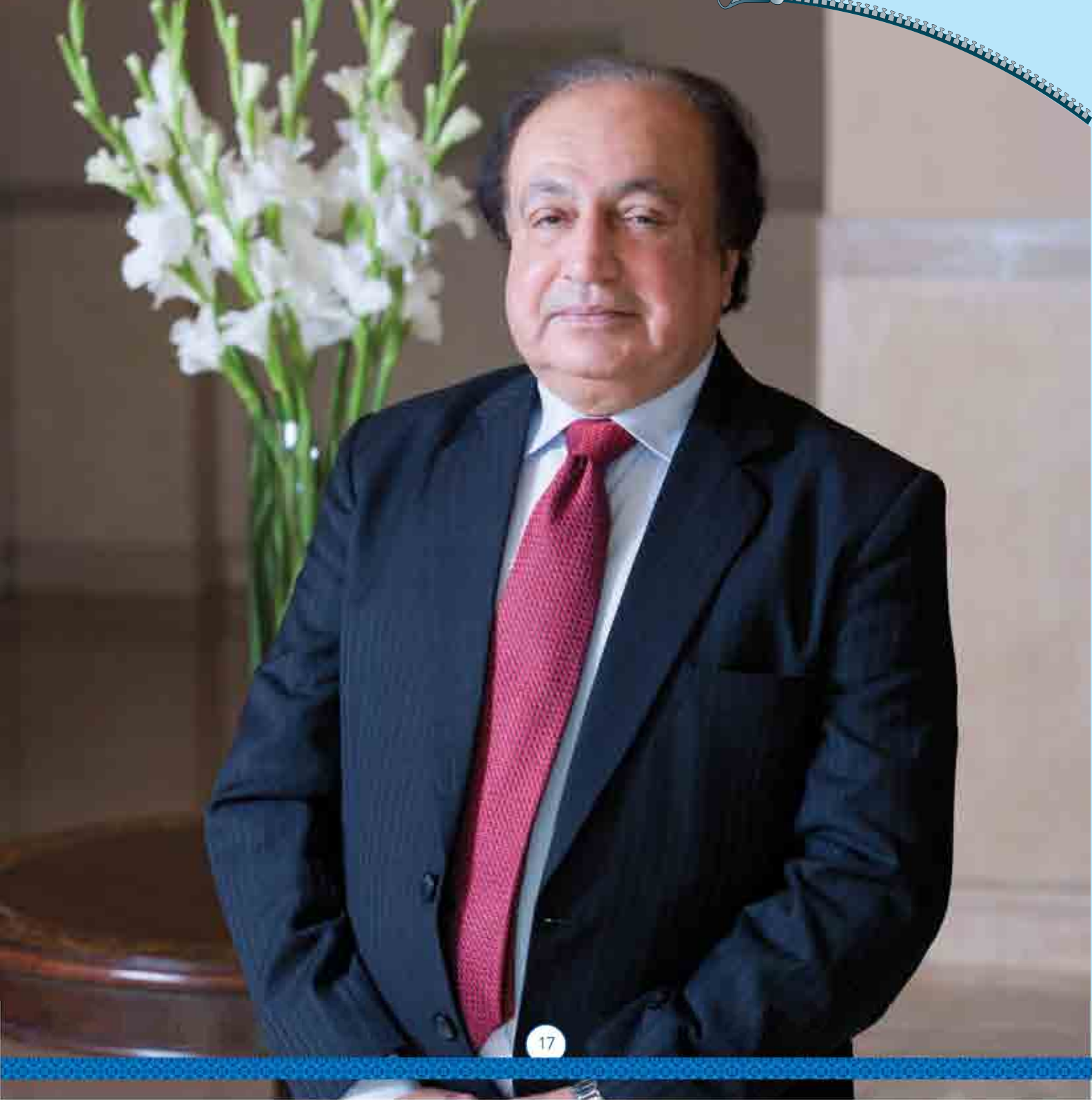
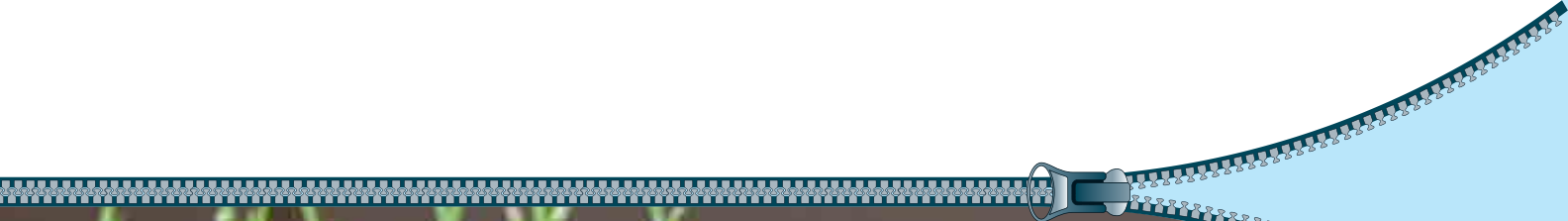
All this gives us enough reasons to rejoice and to be indebted to Allah (SWT).

Generally, there has been challenging economic situation of the country, but our Bank continued to successfully expand

its role as well as presence. Our expansion of the network process continued during the last year successfully, and now we are enjoying greater outreach with an expanded branch network of almost 80 branches countrywide.

The credit for the historic performance owes mainly to our team, for making untiring input with complete dedication. We are also great full to our customers/account holders for posing trust & confidence in our Bank. We are also indebted to our patrons – the Government of Khyber Pakhtunkhwa for their continued support and patronage.

We have no doubt, that with the momentum of success that our team has been able to maintain, our bank is moving ahead to be ranked as one of the best banks of Pakistan.





financial spectrum

The Bank of Khyber, being one of the successful public sector banks of the country, extends financial services in diverse areas of the national economy. Be it industry, housing, agriculture, automobile, construction or pharmaceuticals, the BOK remains in the forefront to play an active role in accelerating Pakistan's economy. We believe in doing so with great care and convenience for our valued customers. One of the biggest contributions of our bank has been to ensure convenient & fast repatriation of hard-earned savings of expatriate Pakistanis, living worldwide. We hope to further enhance this role in the near future.

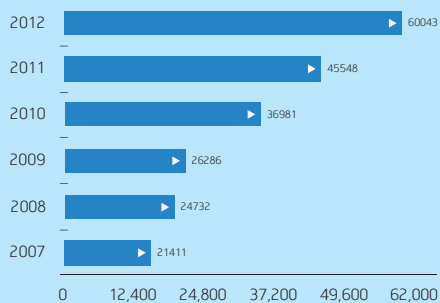
- Acrylic fabrics
- Agriculture, forestry, hunting and fishing equipment
- Cement
- Chemical and pharmaceuticals
- Contractors / construction
- CNG stations
- Education and health
- Financial
- Fisheries
- Food and beverages
- Ghee / cooking oil
- Individuals
- Manufacturing
- Petrochemicals
- Services
- Sugar
- Textile
- Trading
- Commodity operations
- Others



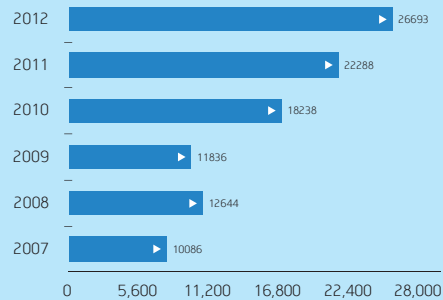
six years financial highlights

	2012	2011	2010	(Rs. in Million)		2007
				2009	2008	
DEPOSIT	60,043	45,548	36,981	26,286	24,732	21,411
ADVANCES (NET)	26,693	22,288	18,238	11,836	12,644	10,086
INVESTMENTS	45,672	36,685	19,853	17,926	8,985	8,903
TOTAL ASSETS	82,178	68,424	50,794	38,811	31,339	29,712
CAPITAL AND RESERVES	10,776	9,700	5,604	5,041	5,678	5,540
PROFIT/(LOSS) BEFORE TAX	1,569	1,285	713	(799)	206	77
PROFIT/(LOSS) AFTER TAX	1,075	872	563	(637)	137	213
RETURN ON EQUITY	10%	9%	10%	-12%	2.4%	5.1%

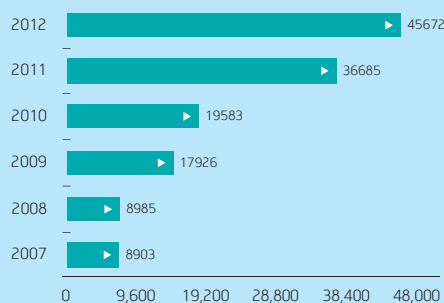
DEPOSITS



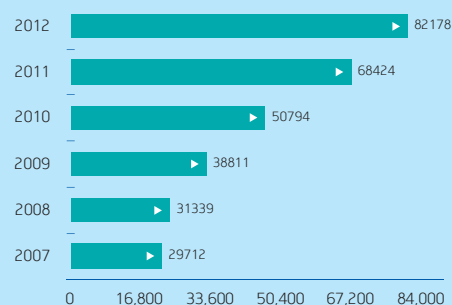
ADVANCES (NET)



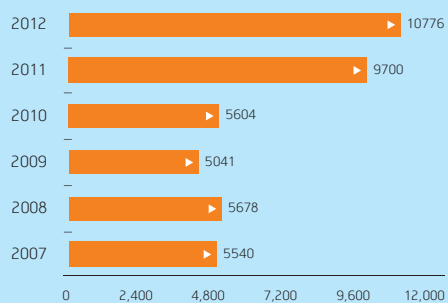
INVESTMENTS



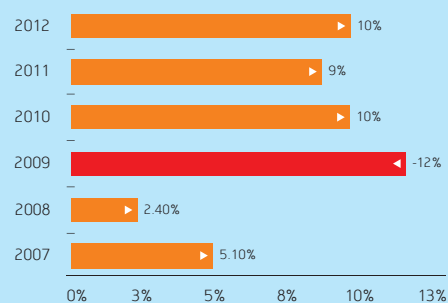
TOTAL ASSETS



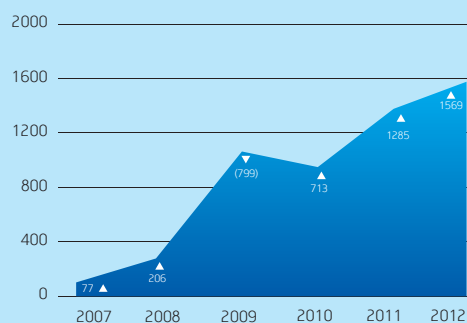
CAPITAL AND RESERVES



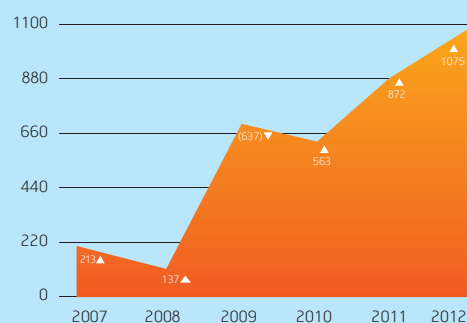
RETURN ON EQUITY



PROFIT/(LOSS) BEFORE TAX



PROFIT/(LOSS) AFTER TAX



Notice of 22nd Annual General Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Friday, March 29, 2013 at 10:00 a.m. at Head Office, 24 – The Mall, Peshawar Cantt. to transact the following business:

> Ordinary Business

- To confirm the minutes of the Extra Ordinary General Meeting held on May 31, 2012.
- To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2012, together with the Directors' and Auditors' Reports thereon.
- To appoint auditors for the year ending December 31, 2013 and fix their remuneration. Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

> Other Business

Any other business with the permission of the Chair.

By Order of the Board

Zahid Sahibzada
Company Secretary

Peshawar: March 07, 2013

> Notes:

- Share Transfer Books of the Bank will remain closed from Saturday, March 23, 2013 to Friday, March 29, 2013 (both days inclusive)
- All members are entitled to attend and vote at the meeting.
- A member entitled to attend and vote at the Meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- Shareholders are requested to notify immediately for any change in their addresses.
- Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.



directors' report

Directors' Report to the Shareholders

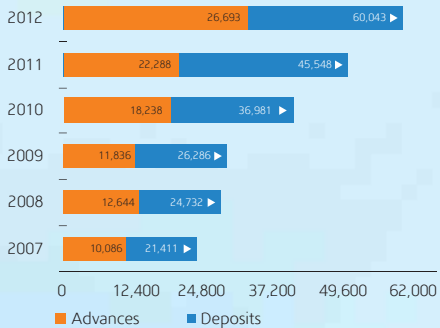
On behalf of the Board of Directors, I am pleased to present the 22nd Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2012.

Financial Highlights

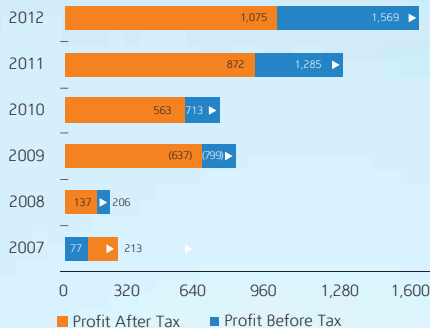
The operating results and appropriations, as recommended by the Board, are placed as under:

	RS. IN MILLIONS
Operating Profit	1,861
Provision against non-performing advances, investments & others	(292)
Profit before taxation	1,569
Taxation	(494)
Profit after tax	1,075
Total Assets	82,177
Advances (Gross)	29,709
Investments	45,671
Deposits	60,043

ADVANCES & DEPOSITS



PROFIT BEFORE & AFTER TAX



Directors' Report



Economic Overview

Pakistan's economy recovered modestly from severe floods a year earlier to grow by 3.7% in FY12 compared with 3.0% in FY11. Agriculture growth picked up to 3.1% markedly easing inflation. While the expansion of the services

sector slowed slightly, its size meant it continued to account for most of GDP growth. The consistently low level of credit availed by the private sector together with declining foreign investments are the main factors responsible for a stagnant

economy. The persistent energy shortages have already decreased the utilization of productive capacity of the economy. Resultantly, the output gap – the difference between aggregate demand and the ability of the economy to meet this demand –

is now almost negligible. This state of affairs not only intensified during the year which seriously hampered large scale manufacturing but primarily affected textile and fertilizer sectors and has also been a factor in the low GDP growth of the country.

Apart from lukewarm responses, the economy has some bright spots as well on the landscape. Remittances by overseas Pakistanis reached a record high of US\$14 billion

supporting our balance of payment whereas total foreign exchange reserves stood at US\$13.859 billion at the year end.

During the year, the changes in fundamental variables influencing the monetary policy decisions of SBP which brought down the discount rate to a single digit at 9.5%. The CPI inflation receded to a 5 year low to 7.9%. At the same time, availability of food supplies has been better this year compared to last two years and

the sharply decelerated CPI inflation is a reflection of these conditions.

Pakistan's equity market has been one of the best performing markets in the region with the benchmark KSE-100 index increased by 49% from 11,348 points in December, 2011 to 16,905 points in December, 2012 mainly due to monetary easing by SBP and healthy growth in corporate earnings.



Performance Review

Your Bank continues to deliver a strong set of results for the year ended 2012 with a 22% increase in yearly profits (before taxes) of Rs.1,569 million from the last year amount of Rs.1,285 million. Profit after tax for the same year grew by 23% to reach a Rs.1,075 million over Rs.872 million in the corresponding

year. This showed that the Bank's revenue remained resilient despite reduction in interest rates. Notwithstanding the difficult economic situation of the country, the Bank of Khyber continued to focus on strategy of persistent development and maintenance of efficient assets and liability buildup;

resulting in sound financial results with sustainable profitability. Key financial indicators of the Bank showed commendable growth for the year 2012.

The Bank recorded strong growth of 32% in deposits which increased to Rs.60,043 million as at December 31, 2012 as compared to Rs.45,548

Directors' Report

million as at December 31, 2011. Gross Advances registered a growth of 17%, increased to Rs.29,709 million as at December 31, 2012 as compared to Rs.25,285 million of the corresponding year. Gross Investments increased to Rs.45,671 million at the year end 2012, a rise of 25% over Rs.36,685 million as at December 31, 2011.

The Balance Sheet Size of the Bank registered a YoY growth of 20% to reach at Rs.82,177 million as at December 31, 2012. The Core Equity consequently increased by 11% to reach at Rs.10,776 million as at December 31, 2012 as compared to Rs.9,700 million as at December 31, 2011.

Net Mark-up / Interest Income during 2012 increased by 8% over 2011 to Rs.2,594 million. This is also

reflected by 34% growth in Non Mark-up / Interest Income to Rs.976 million in 2012 compared to Rs.730 million in 2011. The Administrative Expenses increased by 13% to Rs.1,658 million in 2012 as compared to Rs.1,468 million in 2011. The rise in expenses is primarily due to staff expenses, rent and costs associated with branch expansion – an investment which has borne fruit for the Bank, as evident from strong growth in deposits and profits over the years.

The provision against non-performing advances and investments reduced by 12% to Rs.292 million in 2012 compared to Rs.333 million during 2011.

In compliance with the Minimum Capital Requirement of the State Bank of Pakistan, the Bank during

the year 2012, issued Bonus Shares of Rs.773.432 million to its existing shareholders. The post-Bonus paid-up capital of the Bank for the year ended December 31, 2012 stood at Rs.9.001 billion and the Bank was fully compliant with the Minimum Capital Requirement upto the year end 2012.

Like previous year, the Bank in 2012 also focused on concentrating and broadening its services and branch network and as a result opened 15 new branches in pivotal locations of the country bringing the total to 77 branches. Among these, 35 branches are working as dedicated Islamic Banking Branches whereas the remaining 42 branches are working on the conventional side. Further, 2 sub-branches and 3 booths are also providing basic banking facilities to the customers.

Future Outlook

In the backdrop of the compression of financing spreads, widening fiscal deficit, depreciating rupee, declining foreign exchange reserves and political uncertainty due to upcoming caretaker setup followed by general elections, the year 2013 will be a challenging year. The macroeconomic outlook of the country remains vulnerable owing to the aforementioned risks whereas slowing down of the global economy, especially in regions where Pakistani exports are destined, sensitive security situation in the country and structure bottlenecks

including energy shortages present additional challenges. Improving Pakistan's economic performance depends on taking difficult steps to address structural problems. Breaking out of recent doldrums crucially depends on the power sector becoming a reliable supplier of electricity so that there is incentive to substantially increase private investment. Most important for the breakout is to fundamentally improve the country's fiscal deficit and to broaden the tax base to raise one of the lowest tax participation rates in the region, promote equity,

and provide the revenues needed to fund necessary government functions.

The Bank being watchful of the economic conditions would focus on maintaining the growth momentum and asset quality. The cornerstone of Bank's philosophy would remain on improving service quality standards and providing state of the art banking services through leveraging technology and trained human resource. Efforts are also underway to target new market segments and to improve efficiency and productivity



in Bank's overall performance.

The Bank would be focusing on enhancing revenue growth and profitability through cross selling various financial products, strengthening internal controls operational structure, capacity building, proficient customer services and optimizing branch banking platform.

For the year 2013, the State Bank of Pakistan has approved Bank's expansion plan and allowed 21 new branches to be opened in the country which will take the tally almost to century of the branches.

Further, in view of its corporate social responsibility, the Bank has offered its services to the Provincial Government and has launched

Bacha Khan Khapal Rozgar Scheme, Riwaiti Hunarmand Rozgar Scheme and Pakhtunkhwa Hunarmand Rozgar Scheme to grant small loans to the people to start new or enhance their already established businesses. So far the response is excellent and the recoveries made in the said scheme are outstanding.

Directors' Report

Risk Management Framework

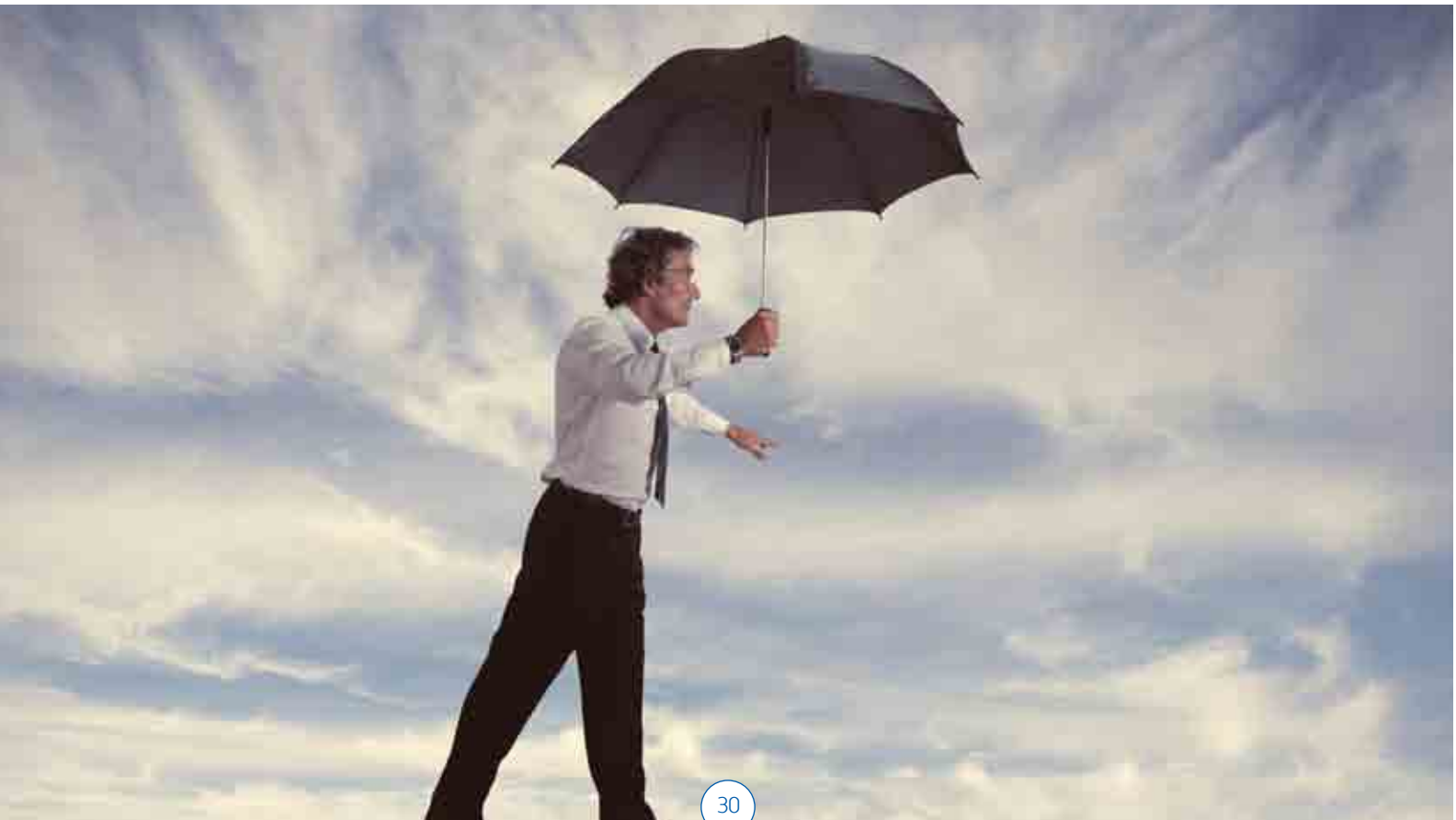
The Bank manages risk through a framework of sound risk management principles which include an optimum organizational structure, risk review procedures and monitoring process. The Risk Management Division (RMD) is mandated to implement this framework as a function independent of commercial lines of business, working under the guidance of Board's Risk Management Committee. In addition, a Management Risk Management Committee comprising members of senior management deliberates on major risk issues and also recommends risk

policies prepared by the RMD to the Board Risk Management Committee and Full Board for approval.

During 2011, the Bank has conducted a Basel II Gap analysis project. The project included a business & data gap report and implementation plan for standardized and advanced approaches of Basel II. A phase-wise implementation of Basel II has already been started by the Bank resulting in improvements within credit, market and operational risk management domains. To comply with this plan RMD has developed various policies including Credit Risk

Management Policy, Market Risk Management Policy and Operational Risk Management Policy. The developed policies have also been approved by the relevant authorities and are under the implementation phase.

The Bank is committed to allocate considerable efforts and resources in managing the material risks to which it is exposed. The momentum attained so far will be continued in identifying, controlling and managing risk through significant investments in experienced human resource, innovative technology and required trainings.





Internal Control

The Board is pleased to endorse the statement made by management

relating to internal controls. The Management's Statement on

Internal Controls is included in the Annual Report.

Directors' Report

Statement under Section XVI of the Code of Corporate Governance

The Bank's Board of Directors and the management are fully mindful of their responsibility under the Code of Corporate Governance. The following statements are a manifestation of their commitment towards high standards of Corporate Governance and continuous organizational improvement:

1. The financial statements prepared by the management of The Bank of Khyber present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts of The Bank of Khyber have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial

statements and accounting estimates are based on reasonable and prudent judgment except as disclosed.

4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and

independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.

6. There are no significant doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

Board Meetings

Subsequent to the expiry of the three years term of the three elected Directors, an election of Directors was held on May 31, 2012 and the new Directors assume their responsibilities. While the Board congratulates all the three elected Directors and welcomes

Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar on the Board, wishes to place on record its sincere appreciation for the valuable and professional services rendered by the outgoing Directors, Mr. Muhammad Asif and Mr. Amjad

Pervez. The Board also welcomes Mr. Sajjad Ahmad, nominee Director of the Government of KPK and appreciates services rendered by the outgoing Government nominee Director; Mr. Muhammad Maqsood Khan.

The Board met on 7 occasions in the year under review and its meetings were attended by Directors as under:

Meetings Attended	
Mr. Attaullah Khan, Chairman	7
Mr. Bilal Mustafa, Managing Director	6
Sahibzada Saeed Ahmad	7
Mr. Muhammad Asif*	4
Mir Javed Hashmat	5
Mr. Muhammad Maqsood Khan **	2
Mr. Maqsood Ismail	6
Mr. Amjad Pervez ***	6
Mr. Sajjad Ahmad	5
Mr. Asad Muhammad Iqbal ****	0
Mr. Javed Akhtar *****	0

- * Mr. Muhammad Asif retired as Director on assumption of office by the newly elected Directors.
- ** Mr. Muhammad Maqsood Khan replaced by Mr. Sajjad Ahmad as Nominee Director of the Government of Khyber Pakhtunkhwa on March 10, 2012.
- *** Mr. Amjad Pervez retired as Director on assumption of office by the newly elected Directors.
- **** Mr. Asad Muhammad Iqbal assumed office as Director on September 20, 2012.
- ***** Mr. Javed Akhtar assumed office as Director on September 20, 2012.

Dividend

The Bank has issued Bonus Shares (B-7) at the rate of 9.40% to the shareholders of the Bank during the year 2012. This has increased the Bank's paid-up capital to Rs.9.001 billion hence complied with the Minimum Capital Requirement of the SBP for the year 2012.

Directors' Report

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the medium to long term entity rating of the Bank from 'A-' (Single A Minus) to 'A' (Single A) while maintaining the short term rating at 'A-2' (A Two). Outlook on the

assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term entity rating of the Bank to "A-" (Single A Minus) and short term

entity rating at "A2" (A Two). Rating outlook is "Positive".

The ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Value of Investments in Employees Retirement Benefit Funds

Book Value of Investments of Provident and Gratuity Funds as per un-audited accounts of these funds for the year ended December 31, 2012 are Rs.599.24 million and Rs.138.56 million respectively.

Pattern of Share Holding

The pattern and category of share holding as at December 31, 2012 is annexed with the report.

Six Years Operating and Financial Data

The necessary information is presented in the report.

Earnings Per Share

Earnings per share for the year 2012 is Rs.1.19.

Auditors

The retiring auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants (a member firm of Deloitte Touche Tohmatsu), being eligible, have offered themselves for

reappointment. As required under Code of Corporate Governance, the Board Audit Committee has recommended the reappointment of M/s. M. Yousuf Adil Saleem & Co.,

Chartered Accountants as auditors of the Bank for the year ending December 31, 2013.



Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the financial statements, except those which have already been made or disclosed.

Acknowledgement

We take this opportunity to express our gratitude to all our shareholders, customers and business partners for their continued support and trust. We offer sincere appreciation to the Government of Khyber Pakhtunkhwa, State Bank of Pakistan for their guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers

Peshawar: March 04, 2013

On behalf of the Board of Directors

Bilal Mustafa
Managing Director

corporate social responsibility

In view of its Corporate Social Responsibility, the Bank of Khyber has offered services to the Provincial Government and has launched Bacha Khan Khapal Rozgar Scheme,

Riwaiti Hunarmand Rozgar Scheme and Pakhtunkhwa Hunarmand Rozgar Scheme to grant small loans to the people to start new or enhance their already established

businesses. So far the response is excellent and the recoveries made in the said schemes are outstanding.



Statement of Compliance

with the best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) framed by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, to manage a company in compliance with best practices of corporate governance, which has been made applicable to banks by the State Bank of Pakistan (SBP) through regulation G-1 of Prudential Regulations for Corporate / Commercial Banking and to listed entities through Regulation No. 35 of the Listing Regulations of the Karachi Stock Exchange.

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

1. The Bank encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Non-Executive Directors	Mr. Attaullah Khan (Chairman)
	Sahibzada Saeed Ahmad
	Mr. Maqsood Ismail Ahmad
	Mr. Sajjad Ahmad
Executive Directors	Mr. Bilal Mustafa (Managing Director)
	Mir Javed Hashmat (Executive Director)
Independent Directors	Mr. Asad Muhammad Iqbal
	Mr. Javed Akhtar

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange(s), has been declared as a defaulter by that stock exchange(s).
4. No casual vacancy occurred on the Board during the year. Four directors and Managing Director are 'appointed' by the Government of Khyber Pakhtunkhwa under the Bank of Khyber Act, 1991 and three directors are 'elected' for a period of three years. During the year, an appointed director, Mr. Muhammad Maqsood Khan, was replaced by Mr. Sajjad Ahmed. Further, on expiry of the three year term of the three elected directors, an election of directors was held in Extra Ordinary General Meeting held on May 31, 2012 and the new directors assumed their responsibilities after the clearance from the State Bank of Pakistan.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board of the Bank has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and necessary administrative, financial and credit discretionary powers have been delegated to the management. In accordance with section 12 of The Bank of Khyber Act, 1991 (as amended) the powers of appointment of the Managing Director and determination of the terms and conditions of such appointment rest with the Government of Khyber Pakhtunkhwa.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the

Board for this purpose and the Board met at least once in every quarter. A total of seven meetings were held during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors have familiarized themselves with their responsibilities under the Code. One of the directors has obtained certification under the "Board Development Series" program conducted by Pakistan Institute of Corporate Governance. The Bank will endeavour to arrange orientation course in next year for their Directors to acquaint them with the code, applicable laws and their duties and responsibilities.
10. The Board approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment has been made in the financial year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Managing Director and CFO before approval of the Board.
13. The Directors, the Managing Director and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CODE.
15. The Board has formed an Audit Committee. It comprises of four members, of whom two are non-executive Directors and the Chairman of the committee is an independent director.
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 Code. A total of six meetings of the Audit Committee were held during the year. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises five members, of whom three members are non-executive directors including the Chairman of the committee.
18. The Board has set up an internal audit function. The staff in Internal Audit function has the experience for the purpose and are conversant with the policies and procedures of the Bank. Currently, the Head of Internal Audit does not meet the qualification requirements as described in the Code which was revised during the year, however, the Bank is taking steps to address this issue.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and the Karachi Stock Exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of The Board of Directors



Bilal Mustafa
Managing Director

Peshawar: March 4, 2013

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **The Bank of Khyber** (the Bank) to comply with the Regulation G - 1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 35 of the Karachi Stock Exchange Limited, where the Bank is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, Sub Regulation (X) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited requires the Bank to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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

We draw attention to paragraph 18 of the Statement regarding the qualification requirements in respect of the Head of Internal Audit introduced by the revised Code of Corporate Governance 2012.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Date: March 4, 2013
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Statement of Internal Control

Our Internal Control System comprises of control environment and control procedures. The management assumes the responsibility of establishing and maintaining adequate internal controls and procedures under the policies approved by the Board. The Bank has documented procedures and manuals, which incorporate the internal controls applicable while conducting any banking transactions. The system of internal control is designed to minimize the risk of failure to achieve the organization's aims and objectives. The management is also responsible for evaluating the effectiveness of the bank's internal control system that covers material matters by reviewing control objective, significant policies and procedures. The system of internal control being followed by the Bank is considered adequate in design and is being effectively implemented and monitored. These procedures are revised and updated as and when required and all the updations are appropriately approved by the competent authorities. Due attention is also being given to formalizing systems and enhancing the competence and knowledge of the staff.

The Internal Audit Division (IAD) of the Bank reviews the adequacy and implementation of internal controls on a regular basis and deficiencies if any are followed up until they are rectified. However, it may be understood that, Internal Control System is designed to manage rather than eliminate the risk of failure inherent in the desired business transactions and can only provide reasonable and not absolute assurance against material misstatements in financial statement or prevention of business loss. BOK is duly observing compliance with the requirements and timelines of Staged roadmap for implementation of the State Bank of Pakistan (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 SBP Guidelines. The external auditors have submitted the "Long-Form Review Report" as of September 30, 2012 on January 23, 2013 which was later on submitted to SBP.

On behalf of The Board of Directors



Bilal Mustafa
Managing Director

March 4, 2013

Shariah Advisor Report

Islam is a practical religion having accommodation for all the social and financial problems of human life. The worldwide success of Islamic Banking is now an established fact. The main attraction for the establishment of an Islamic Bank is to safeguard the Muslims from indulging into non Shariah transactions especially in their financial affairs. Strict adherence to Shariah compliance is the backbone of Islamic banking and financing which gives legitimacy to the practices of Islamic banks. The absence of strict Shariah compliance would render an Islamic Bank at par with the other financial institutions and it would adversely affect the confidence of the public in Islamic banking and financing.

In order to strengthen the Shariah compliance mechanism in Islamic banking industry and to avoid the mistakes and deficiencies observed during an earlier such attempt made during 80s', the State Bank took certain steps including mandatory statement of Shariah compliance by the Shariah Advisor in the Annual Report of banks. This Shariah Adviser's Report serves the purpose of statement of Shariah compliance through which he shares his opinion with the stakeholders on the facts whether the practices in the financial transactions are in conformity to the approved policies/procedures or otherwise. As a Shariah Advisor of the bank I feel proud to avail this opportunity to highlight the overall portfolio, general Shariah compliance environment, investment in human resources and progress and issues in new products development of Islamic Banking Group (IBG) of The Bank of Khyber (BOK).

Products \ Services offered by IBG - BOK

The main business units of IBG of BOK comprise of corporate banking, commercial banking, consumer banking and treasury. On asset side IBG provides services through following products:

- | | |
|--|---|
| 1. Ijarah | 2. Murabaha |
| 3. Diminishing Musharakah | 4. Musharakah |
| 5. Mudarabah | 6. Istisna |
| 7. Wakala | 8. Share Purchase |
| 9. Import Export under Islamic Banking | 10. Export Refinancing |
| 11. Process for Foreign Currency (FCY) | 12. Discounting of Bills through Agency Arrangement |
| 13. Management of Treasury / FI Pool | |

On deposit side IBG offers a wide range of deposits product, current account based on the underlying Shariah modes of AL-Qard, as well as saving and term deposit accounts on the basis of Musharakah, which are designed with flexible features to meet the need of our customers in Shariah compliant manner. Presently IBG is offering the following types of deposit accounts:

1. Current Accounts
2. Call Deposits
3. Interest Free PLS Saving Accounts
4. Riba Free Certificates
5. Riba Free Special Deposit Pool Deposits/Certificate
6. Riba Free Special Deposit Pool for Banks
7. Riba Free Special Deposit Pool for Mutual Funds
8. Riba Free Special Deposit pool for Staff Provident Funds

Shariah Advisor Report

Shariah Compliance in IBG - BOK

BOK has been trying to endeavor to keep pace with other institutions in adopting Islamic modes of banking. To gain public confidence and to see the industry and other sectors prosper, there is proper check and balance mechanism in BOK to ensure that all activities of the bank are in line with Islamic principles. The bank has a Shariah Supervisory Committee (SSC) of the following well known scholars to examine and approve all agreements policies and other relevant documents of all type of services offered by Islamic Banking Group of BOK.

- Mufti Muhammad Zahid Chairman
- Syed Muhammad Abbass Member
- Dr. Dost Muhammad Khan Member
- Dr. Shahzad Iqbal Sham Member
- Mr. Muhammad Ayub Member

During the year 2012, three meetings of SSC were held to review various products, structures, process flows/modus operandi, concepts, and transactions for opinion on Shariah compliance, referred by IBG of BOK.

As part of this, full-fledged Shariah Department is working under my supervision with independent Shariah Compliance & Shariah Audit deptts. During the year several reviews were conducted to ensure that every transaction in the bank is executed either under standard operating procedure and issued guidelines or a separate process flow is structured and approved to ensure adherence to Shariah requirements. We have in place a system for the review of executed transactions. This includes periodic testing and checking of sample transactions by Shariah team and regular Shariah audit by Internal Shariah Audit team. In this regard Shariah team has visited 24 out of total 35 branches and internal Shariah Audit team has audited 26 of total branches. Shariah Compliance Department also plays an important role in ensuring Shariah compliance through continuous revision of polices and guidelines, structuring of processes for transaction and assisting Shariah Department in performance of its functions. This department has rectified mistakes and irregularities and where it is deemed necessary the respective income is transferred to Charity account.

Based on the above, I conclude

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

1. In my opinion, the business affairs of IBG-BOK have been generally carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance as well as specific Fatwas and rulings issued by SSC and myself from time to time.
2. In my opinion, the allocation of funds, weightages, profit sharing ratios, and profit relating to PLS accounts conform to the basis vetted by SSC and myself in accordance with Shariah rules and principles.
3. In my opinion all sources of income of the bank are Shariah compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account and distributed as per approved guidelines of SSC. It is worth mentioning here that other than above some mistakes in documentation have been pointed out by the Shariah Audit Unit which did not render the income to be non Shariah compliant and they have been addressed as per instructions issued by

Shariah Advisor Report

the Shariah Department.

4. An amount of Rs. 332,285/- was received in respect of charity. Since charity funds are kept under investment accounts at the bank, a return of Rs.11,346.50 was given to this amount as a part of the profit portion.

In the end it is stated that it is the responsibility of the management to inculcate Shariah compliance culture within the organization and should consistently remind the frontline staff about the importance of Shariah and its impact on the Islamic Banking if Shariah principles and practices are not observed.

Recommendations

1. In any system, Human Resource is of paramount importance. The main reason for most of the deviations and irregularities is lack of awareness. By training and educating the employees, risk of non-compliance can be mitigated to a large extent.
2. Islamic banks on collective basis should also develop strategies to promote financing to the neglected sectors of agriculture, education financing, personal financing etc. Currently the main source of financing for these sectors is conventional bank or informal local financing which is generally usurious. Shariah compliant financing in these sectors is limited and yet to gain momentum.
3. Workshops/seminars should also be conducted for larger number of audience and general public in order to improve general awareness and understanding of Islamic banking.

May Allah guide us to the right way.

Qazi Abdul Samad
Shariah Advisor

Deloitte.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **The Bank of Khyber** (the Bank) as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 8 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 the 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 60% of the total loans and advances of the Bank, we report that:

- a) In our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) In our opinion:
 - i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - 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;

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M. Yousuf Adil Saleem & Co
Chartered Accountants

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

M. Yousuf Adil Saleem & Co
Chartered Accountants
Engagement Partner: Asad Ali Shah

Date: March 4, 2013
Place: Karachi

Financial highlights



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02

Statement of Financial Position

As at December 31, 2012

	Note	2012	2011
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	7	3,108,819	2,802,781
Balances with other banks	8	1,649,512	1,527,561
Lendings to financial institutions	9	1,501,000	1,800,566
Investments	10	45,671,700	36,684,689
Advances	11	26,692,766	22,287,799
Operating fixed assets	12	1,359,149	1,301,822
Deferred tax assets	13	134,219	255,090
Other assets	14	2,060,473	1,764,158
		82,177,638	68,424,466
LIABILITIES			
Bills payable	15	558,026	281,292
Borrowings	16	7,420,113	10,391,732
Deposits and other accounts	17	60,043,083	45,548,423
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	2,429,617	1,837,525
		70,450,839	58,058,972
NET ASSETS		11,726,799	10,365,494
REPRESENTED BY			
Share capital	19	9,001,433	8,228,001
Reserves		937,541	722,501
Unappropriated profit		836,654	749,925
		10,775,628	9,700,427
Surplus on revaluation of assets - net of tax	20	951,171	665,067
		11,726,799	10,365,494
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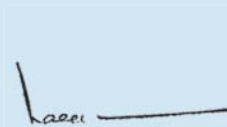
The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.



Managing Director



Director



Director



Director

Profit and Loss Account

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in '000)	
Mark-up / return / interest earned	22	7,204,937	6,946,827
Mark-up / return / interest expensed	23	4,611,172	4,551,942
Net mark-up / interest income		2,593,765	2,394,885
Provision against non-performing loans and advances - net	11.4	38,528	42,092
Provision for diminution in the value of investments - net	10.3	139,585	202,532
Bad debts written off directly		-	-
Net mark-up / interest income after provisions		2,415,652	2,150,261
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		241,008	232,828
Dividend income		236,354	223,114
Income from dealing in foreign currencies		141,968	56,285
Gain on sale of securities - net	24	295,317	169,383
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	10.5	192	(16,742)
Other income	25	61,276	65,142
Total non-mark-up / interest income		976,115	730,010
		3,391,767	2,880,271
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	1,657,560	1,468,480
Other provisions / write offs	27	114,310	87,970
Other charges	28	50,679	38,363
Total non-mark-up / interest expenses		1,822,549	1,594,813
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,569,218	1,285,458
Taxation	29		
- Current		496,234	271,550
- Prior years		(7,772)	26,306
- Deferred		5,555	115,294
PROFIT AFTER TAXATION		494,017	413,150
		1,075,201	872,308
Unappropriated profit brought forward		749,925	52,079
Profit available for appropriation		1,825,126	924,387
Earnings per share - Basic and Diluted (in Rupees)	30	1.19	1.29

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

Managing Director

Director

Director

Director


Statement of Comprehensive Income

For the year ended December 31, 2012


	Note	2012	2011
		(Rupees in '000)	
Profit after taxation for the year		1,075,201	872,308
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,075,201</u>	<u>872,308</u>

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

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



Managing Director



Director



Director



Director

Statement of Changes in Equity

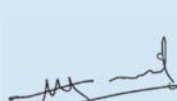
For the year ended December 31, 2012

	Share Capital	Statutory Reserve	Unappropriated profit	Total
	------(Rupees in ' 000)-----			
Balance as at January 01, 2011	5,004,001	548,039	52,079	5,604,119
Total comprehensive income for the year				
Profit after taxation for the year ended December 31, 2011	-	-	872,308	872,308
Other comprehensive income	-	-	-	-
	-	-	872,308	872,308
Transfer to statutory reserve	-	174,462	(174,462)	-
Transactions with owners recorded directly in equity				
Issue of shares during the year	3,224,000	-	-	3,224,000
Balance as at December 31, 2011	8,228,001	722,501	749,925	9,700,427
Total comprehensive income for the year				
Profit after taxation for the year ended December 31, 2012	-	-	1,075,201	1,075,201
Other comprehensive income	-	-	-	-
	-	-	1,075,201	1,075,201
Transfer to statutory reserve	-	215,040	(215,040)	-
Transactions with owners recorded directly in equity				
Issue of bonus shares	773,432	-	(773,432)	-
Balance as at December 31, 2012	9,001,433	937,541	836,654	10,775,628

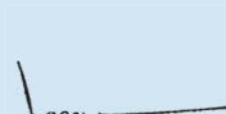
The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.



Managing Director



Director



Director



Director

Cash Flow Statement

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,569,218	1,285,458
Less: Dividend income		236,354	223,114
		<u>1,332,864</u>	<u>1,062,344</u>
Adjustments for non-cash charges			
Depreciation		91,977	67,491
Amortization		4,587	3,369
Provision against non-performing loans and advances - net		38,528	42,092
Provision for diminution in the value of investments - net		139,585	202,532
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading - net		(192)	16,742
Other provisions / write offs		114,310	87,970
Gain on sale of operating fixed assets		(829)	(2,700)
		<u>387,966</u>	<u>417,496</u>
		<u>1,720,830</u>	<u>1,479,840</u>
(Increase) / decrease in operating assets:			
Lendings to financial institutions		185,256	625,544
Net investments in held-for-trading securities		792,323	(1,408,658)
Advances - net		(4,443,495)	(3,993,717)
Others assets (excluding advance taxation) - net		(379,598)	(138,200)
		<u>(3,845,514)</u>	<u>(4,915,031)</u>
Increase / (decrease) in operating liabilities:			
Bills payable		276,734	627
Borrowings		(2,971,619)	7,496,973
Deposits and other accounts		14,494,660	8,567,072
Other liabilities (excluding current taxation)		251,577	600,370
		<u>12,051,352</u>	<u>16,665,042</u>
		<u>9,926,668</u>	<u>13,229,851</u>
Income tax (paid) / refunded		(64,664)	20,940
		<u>9,862,004</u>	<u>13,250,791</u>
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(9,927,029)	(15,550,806)
Net investments in held-to-maturity securities		409,722	73,980
Dividend income received		236,354	223,114
Investments in operating fixed assets		(155,942)	(257,354)
Proceeds from sale of operating fixed assets		2,880	8,213
Net cash used in investing activities		<u>(9,434,015)</u>	<u>(15,502,853)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Increase / (Decrease) in cash and cash equivalents		<u>427,989</u>	<u>(2,252,062)</u>
Cash and cash equivalents at beginning of the year		4,330,342	6,582,404
Cash and cash equivalents at end of the year	31	<u>4,758,331</u>	<u>4,330,342</u>


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



Managing Director



Director



Director



Director

Notes to the Financial Statements

For the year ended December 31, 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Karachi Stock Exchange (KSE). The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar. The Bank operates 77 branches including 35 Islamic banking branches (2011: 62 branches including 26 Islamic banking branches). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A-' and 'A' respectively and the short-term credit ratings assigned are 'A2' and 'A2' respectively.

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon.
- 2.2 The financial results of the Islamic Banking Division have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Division are disclosed in Annexure "A" to these financial statements.
- 2.3 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value, as disclosed in their respective notes.

4. STATEMENT OF COMPLIANCE

- 4.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and the directives issued by

Notes to the Financial Statements

For the year ended December 31, 2012

the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP shall prevail.

4.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. 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 SBP through various circulars issued by the SBP.

4.3 Adoption of amended standards

During the year, amendments to following standards became effective, however, their application did not have material impact on the financial statements of the Bank:

- Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets
- Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets

4.4 Amendments to published standards and new interpretation to existing standard that are not yet effective and have not been early adopted by the Bank

The following amendments to published standards and new interpretation to existing standard are effective for annual periods, beginning on or after the date mentioned against them:

- IAS 1 - 'Presentation of Financial Statements' (effective for annual periods beginning on or after July 1, 2012) - retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.
- IAS 19 - 'Employee Benefits' (effective for annual periods beginning on or after January 1, 2013) - The amendments 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. As a result of adoption of

Notes to the Financial Statements

For the year ended December 31, 2012

this amendment, the Bank will recognize the actuarial gains and losses in other comprehensive income, which are currently being recognized in the profit and loss account. However, there would not be any impact on Bank's equity.

- IAS 32 'Financial Instruments: Presentation' - (effective for annual periods beginning on or after January 1, 2014) - These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' - (effective for annual periods beginning on or after January 1, 2013) – This interpretation applies to all types of natural resources that are extracted using a surface mine activity process, and addresses the issues pertaining to the recognition of production stripping cost as an asset, initial measurement of stripping activity at cost and subsequent measurement of stripping activity asset at depreciated or amortized cost based on a systematic basis over the expected useful life of the identified component of ore body.

The above mentioned amendments to published standards and new interpretation to existing standard are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than increase in disclosure in certain cases.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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 are as follows:

5.1 Classification of investments

In classifying investments as "held-for-trading" the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.

In classifying investments as "held-to-maturity" the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

Notes to the Financial Statements

For the year ended December 31, 2012

The investments which are not classified as "held-for-trading" or "held-to-maturity" are classified as "available-for-sale".

5.2 Impairment of available-for-sale equity investments

The Bank determines that "available-for-sale" equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires management to exercise judgment. In making this judgment, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5.3 Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess the amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

5.4 Income taxes

While making the estimates for income taxes currently payable by the Bank, management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making provision for deferred taxes, estimates of the Bank's future taxable profits and expected reversal of deductible temporary differences are taken into account.

5.5 Fixed assets, depreciation and amortization

The Bank carries its land at fair value. The fair value is determined by independent valuation expert under the current market conditions and such valuation is carried out with sufficient regularity that the valuation at year end is close to its fair value.

In making estimates of the depreciation / amortization method, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

Notes to the Financial Statements

For the year ended December 31, 2012

5.6 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets and future salary increases, which have been disclosed in note 33.9. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2011 and are enumerated as follows:

6.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position and are measured in accordance with accounting policies for investment and counterparty liability is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the term of the repo agreement.

b) Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position and instead amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up/return/interest income and accrued over the term of the reverse repo agreement.

c) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up / interest income on such lendings is recorded on time proportion basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

Notes to the Financial Statements

For the year ended December 31, 2012

d) Other borrowings

Other borrowings including borrowings from SBP are recorded at proceeds received. Mark-up expense on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

6.3 Investments

6.3.1 Classification

The Bank classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

6.3.2 Regular way contracts

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

6.3.3 Initial measurement

Investments other than those categorized as "held-for-trading" are initially recognized at fair value, which includes transaction costs associated with investments. Investments classified as "held-for-trading" are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

6.3.4 Subsequent measurement

Held-for-trading

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

Notes to the Financial Statements

For the year ended December 31, 2012

Held-to-maturity

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

Available-for-sale

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

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

6.3.5 Impairment

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Impairment is recognized when there is an objective evidence of significant and prolong decline in the value of such securities. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of SBP.

6.4 Advances

6.4.1 Conventional

Advances are stated net of specific and general provisions. Specific and general provision against advances is determined on the basis of Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Advances are written-off when there are no realistic prospects of recovery.

6.4.2 Murabaha

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of murabaha, i.e., sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods that have been purchased but remained unsold are recorded as inventories. Profit is recorded at the time of sale of goods under murabaha as deferred income and is included in the amount of murabaha financings. Profit is taken to the profit and loss account over the period of the murabaha.

Notes to the Financial Statements

For the year ended December 31, 2012

6.4.3 Ijarah financings

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

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

6.4.4 Diminishing Musharakah

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

6.5 Inventories

The Bank values its inventories at the lower of cost and net realizable value. Cost of inventories represents the actual purchase made by the Bank / customers as an agent on behalf of the Bank for subsequent sale. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

6.6 Operating fixed assets and depreciation

6.6.1 Tangible fixed assets

Property and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Land is carried at revalued amount.

Subsequent costs are included in the asset's carrying amount or recognized 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 when incurred.

Notes to the Financial Statements

For the year ended December 31, 2012

Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the reducing balance method at the rates stated in note 12.2 except for the renovation / improvement on building, which is depreciated on straight line basis over five years. Depreciation charge commences from the month when the asset is available for use and continues till the month the asset is discontinued either through disposal or retirement.

Surplus arising on revaluation of land is credited to the 'surplus on revaluation of fixed assets' account. Deficit (if any) arising on subsequent revaluation of fixed assets is adjusted against abovementioned surplus account as allowed under the provisions of the Companies Ordinance, 1984.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of fixed assets are included in income currently.

6.6.2 Intangible assets

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Such Intangible assets are being amortized using the straight-line method over their useful lives as stated in note 12.3. Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as an expense when incurred.

6.6.3 Capital-work-in progress

Capital-work-in progress is stated at cost less accumulated impairment losses (if any). These are transferred to operating fixed assets as and when the assets are available for use.

6.6.4 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax 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. Recoverable amount is the greater of net selling price 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.

6.7 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in

Notes to the Financial Statements

For the year ended December 31, 2012

which case it is recognized in equity.

6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for the current year also includes adjustments, where considered necessary relating to prior years, arising from assessments finalized during the year for such years.

6.7.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the periods when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax, if any, on revaluation of fixed asset and investments is recognized as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

6.8 Staff retirement benefits

6.8.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund by the Bank in accordance with the rules of the scheme. Employees are entitled to the benefits under the scheme which comprise of two last drawn basic salaries for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2012 using the Projected Unit Credit Method. Actuarial gains and losses, if any, arising during the year are charged to the profit and loss account.

6.8.2 Defined contribution plan

The Bank operates a recognized contributory provident fund covering all its permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at a rate of fifteen percent of basic salary.

6.9 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and

Notes to the Financial Statements

For the year ended December 31, 2012

liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.10 Revenue recognition

Income on murabaha is accounted for on culmination of murabaha transaction and is recognized as revenue on a time proportionate basis. Unearned profit is accounted for by crediting deferred murabaha income, which is recorded as a liability.

Return / mark-up on regular loans / advances (other than murabaha) and debt securities investments is recognized on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income, i.e., the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.

Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account

Dividend income is recognized when the Bank's right to receive the dividend is established.

Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.

Gain / loss on sale of investments is credited / charged to profit and loss account.

6.11 Foreign currencies

a) Foreign currency transactions and balances

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

b) Translation gains and losses

Notes to the Financial Statements

For the year ended December 31, 2012

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

c) Commitments

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

6.12 Segment Reporting

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

Business Segments

The Bank comprises of following main business segments.

a) Corporate finance

This includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts instruments, equity, syndication, IPO and secondary private placements.

b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

c) Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking services, and retail offered to its retail customers.

d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

Geographical segments

The Bank conducts all its operations in Pakistan.

6.13 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation arising as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required

Notes to the Financial Statements

For the year ended December 31, 2012

to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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

Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

6.14 Borrowings / deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received."
- b) Borrowings / deposits cost are recognized as expense in the period in which these are incurred using effective mark-up / interest rate method.

6.15 Off setting

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 to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.16 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded.

6.17 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. 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.

6.18 Dividends and appropriations to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognized in the Bank's financial statements in the year in which these are approved.

6.19 Fiduciary assets

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

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		630,104	735,062
Foreign currencies		155,969	93,842
National prize bonds		260	1,294
		786,333	830,198
With State Bank of Pakistan in:			
Local currency current accounts	7.1	1,842,263	1,647,589
Foreign currency current accounts	7.1	34,100	34,989
Foreign currency deposit accounts	7.2	104,694	95,794
		1,981,057	1,778,372
With National Bank of Pakistan in:			
Local currency current accounts		85,568	47,233
Local currency deposit accounts		252,580	143,736
Foreign currency current accounts		3,281	3,242
		341,429	194,211
		3,108,819	2,802,781

7.1 The current accounts are maintained under the requirements of section 22 of the Banking Companies Ordinance, 1962 as amended from time to time.

7.2 These represent accounts maintained for mandatory reserve requirements with the SBP. These accounts currently carry no mark-up.

	Note	2012	2011
(Rupees in '000)			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		1,123,332	1,082,539
On deposit account	8.1	75,608	251,790
		1,198,940	1,334,329
Outside Pakistan			
On current account		-	-
On deposit account	8.2	460,600	203,260
		460,600	203,260
		1,659,540	1,537,589
Less: Provision for doubtful placement with a bank	8.3	(10,028)	(10,028)
		1,649,512	1,527,561

Notes to the Financial Statements

For the year ended December 31, 2012

- 8.1 These represent short-term deposits with banks at mark-up rates ranging from 0.05% to 6.00% (2011: 0.05% to 10.50%) per annum.
- 8.2 This represents placement of funds with banks outside Pakistan, which has been generated through the foreign currency deposit scheme (FE-25). These placements currently carry no mark-up.

	Note	2012	2011
(Rupees in '000)			
8.3 Particulars of provision			
Opening balance		10,028	10,028
Charge for the year		-	-
Reversals		-	-
Closing balance		10,028	10,028
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	9.2	900,000	500,000
Repurchase agreement lendings (Reverse Repo)	9.3	-	1,183,256
Placements with financial institutions	9.4	839,944	241,944
		1,739,944	1,925,200
Less: Provision against lendings to financial institutions	9.5	(238,944)	(124,634)
		1,501,000	1,800,566
9.1 Particulars of lendings			
In local currency		1,501,000	1,800,566
In foreign currencies		-	-
		1,501,000	1,800,566

9.2 These represent unsecured lendings to commercial banks at mark-up rates ranging between 9.40% and 9.50% (2011: 12.25%) per annum and will mature latest by January 7, 2013.

9.3 These represented repurchase agreement lendings (reverse repo) secured against government securities and term finance certificates carrying mark-up rate ranging from 11.80% to 13.00%.

9.4 This includes Rs. 238.944 million that is overdue and fully provided. The remainder balance of Rs. 601.000 million with commercial banks carry interest at the rates ranging between 1.50% and 9.50% and will mature latest by January 31, 2013.

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
9.5 Particulars of provision			
Opening balance		124,634	124,634
Charge for the year		114,310	38,142
Reversals		-	-
	27	114,310	38,142
Transferred to advances	9.5.1 & 11.4	-	(38,142)
Closing balance		238,944	124,634

9.5.1 During the financial year 2011, a clean placement with financial institution was restructured and the Bank received property against amount under restructuring arrangements with the counter party. Consequently, the lending along with the provision thereon was reclassified to advances.

9.6 Securities held as collateral against lending to financial institutions

Note	2012			2011		
	Held by bank	Further Given as collateral	Total	Held by bank	Further Given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	-	-	-	1,069,422	-	1,069,422
Term Finance Certificates	-	-	-	113,834	-	113,834
9.7	-	-	-	1,183,256	-	1,183,256

9.7 Aggregate market value of securities held as collateral is Nil (2011: Rs. 1,225.708 million).

Note	2012			2011			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
	----- Rupees in '000 -----						
10. INVESTMENTS							
10.1 Investments by types							
Held-for-trading securities							
Market Treasury Bills	10.2.1	728,330	-	728,330	1,074,926	-	1,074,926
Pakistan Investment Bonds	10.2.1	204,775	-	204,775	334,397	-	334,397
Units of open-ended mutual funds		-	-	-	300,000	-	300,000
Ordinary shares in listed companies		24,697	-	24,697	57,544	-	57,544
		957,802	-	957,802	1,766,867	-	1,766,867

Notes to the Financial Statements

For the year ended December 31, 2012

		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Available-for-sale securities							
Rupees in '000							
Market Treasury Bills	10.2.1	16,101,766	6,264,665	22,366,431	7,851,862	9,449,871	17,301,733
Pakistan Investment Bonds	10.2.1	9,311,902	-	9,311,902	3,683,971	-	3,683,971
National Investment Trust Units		-	-	-	54,246	-	54,246
Ordinary shares in listed companies		542,112	-	542,112	626,352	-	626,352
Ordinary shares in unlisted companies		192,987	-	192,987	80,487	-	80,487
Ordinary shares of related parties							
- Listed shares	10.7	-	-	-	59,961	-	59,961
- Unlisted shares	10.7	40,504	-	40,504	153,004	-	153,004
Preference shares in listed company	10.6	215,920	-	215,920	140,920	-	140,920
Preference shares in listed company - related party	10.6 & 10.7	-	-	-	75,000	-	75,000
Listed term finance certificates		744,821	-	744,821	876,504	-	876,504
Unlisted term finance certificates		692,026	-	692,026	700,545	-	700,545
Units of open-ended mutual funds		517,994	-	517,994	3,458,057	-	3,458,057
Units of closed-end mutual funds		118,673	-	118,673	118,673	-	118,673
Sukuk certificates		9,412,895	-	9,412,895	6,899,783	-	6,899,783
		37,891,600	6,264,665	44,156,265	24,779,365	9,449,871	34,229,236
Held-to-maturity securities							
Pakistan Investment Bonds		661,475	-	661,475	892,732	-	892,732
Sukuk certificates		477,301	-	477,301	655,766	-	655,766
		1,138,776	-	1,138,776	1,548,498	-	1,548,498
Investments at cost							
		39,988,178	6,264,665	46,252,843	28,094,730	9,449,871	37,544,601
"Less: Provision for diminution in value of investments"	10.3	(811,609)	-	(811,609)	(672,024)	-	(672,024)
Investments (net of provisions)							
		39,176,569	6,264,665	45,441,234	27,422,706	9,449,871	36,872,577
"Unrealized gain / (loss) on revaluation of held-for-trading securities - net"	10.5	192	-	192	(16,742)	-	(16,742)
Surplus / (Deficit) on revaluation of available-for-sale securities - net	20	196,683	33,591	230,274	(186,674)	15,528	(171,146)
Total investments							
		39,373,444	6,298,256	45,671,700	27,219,290	9,465,399	36,684,689

10.2 Investments by segments

	Note	2012	2011
Federal Government Securities:			
(Rupees in '000)			
- Market Treasury Bills	10.2.1	23,094,761	18,376,659
- Pakistan Investment Bonds	10.2.1	10,178,152	4,911,100
- Government of Pakistan - Sukuk	10.2.1	8,570,818	6,120,587
		41,843,731	29,408,346
Fully paid up ordinary shares:			
- Listed companies		566,809	683,896
- Unlisted companies		192,987	80,487
		759,796	764,383
Related parties:			
- Ordinary shares in listed companies	10.7	-	59,961
- Ordinary shares in unlisted companies	10.7	40,504	153,004
- Preference shares in listed company	10.6 & 10.7	-	75,000
		40,504	287,965

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
Term finance certificates:			
- Listed term finance certificates		744,821	876,504
- Unlisted term finance certificates		692,026	700,545
		1,436,847	1,577,049
Units of mutual funds:			
- Open-ended mutual funds		517,994	3,758,057
- Closed-end mutual funds		118,673	118,673
		636,667	3,876,730
Other investments:			
- Preference shares in listed company	10.6	215,920	140,920
- National Investment Trust Units		-	54,246
- Sukuk certificates		1,319,378	1,434,962
		1,535,298	1,630,128
Total investments at cost		46,252,843	37,544,601
Less: Provision for diminution in value of investments	10.3	(811,609)	(672,024)
Investments - net of provisions		45,441,234	36,872,577
Unrealized gain/ (loss) on revaluation of held-for-trading securities - net	10.5	192	(16,742)
Surplus / (Deficit) on revaluation of available-for-sale securities - net	20	230,274	(171,146)
Total investments		45,671,700	36,684,689

10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	9.11% to 11.70%	February 7, 2013 to September 19, 2013	On maturity	At maturity
Pakistan Investment Bonds	8% to 12%	June 30, 2013 to July 19, 2022	On maturity	Half yearly
Sukuk Certificates	9.23% to 10.43%	November 15, 2013 to September 18, 2015	On maturity	Half yearly

10.2.2 Federal Government Securities other than those offered as collateral, are held by the Bank to meet Statutory Liquidity Requirements (SLR) of the SBP calculated on the basis of time and demand liabilities.

10.3 Particulars of provision for diminution in value of investments

Opening balance		672,024	469,492
Charge for the year	10.3.1	150,322	202,587
Reversal on disposals		(10,737)	(55)
		139,585	202,532
Closing balance	10.3.2	811,609	672,024

10.3.1 This includes impairment charge of Rs. 28.621 million (2011: Rs. 10.706 million) in respect of available-for-sale listed equity securities.

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in '000)	
10.3.2 Particulars of provision in respect of type and segment			
By type			
Available-for-sale securities			
Ordinary shares in listed companies		85,694	18,505
Ordinary shares in unlisted companies		110,129	80,486
Ordinary shares in listed companies - related parties	10.7	-	55,163
Ordinary shares in unlisted companies - related parties	10.7	-	16,090
Preference shares in listed company		215,920	96,678
Preference shares in listed company - related party	10.7	-	75,000
Units in open-ended mutual funds		86,668	91,429
Units in closed-end mutual funds		46,582	46,582
Term finance certificates / Sukuk certificates		241,616	167,091
Held-to-maturity securities			
Sukuk certificates		25,000	25,000
		811,609	672,024
By segment			
Fully paid up ordinary shares			
Listed companies		85,694	18,505
Unlisted companies		110,129	80,486
Listed companies - related parties	10.7	-	55,163
Unlisted companies - related parties	10.7	-	16,090
Units of open-ended mutual funds		86,668	91,429
Units of closed-end mutual funds		46,582	46,582
Preference shares in listed company		215,920	96,678
Preference shares in listed company - related party	10.7	-	75,000
Term finance certificates / Sukuk certificates		266,616	192,091
		811,609	672,024
10.4	Information relating to investment in ordinary shares / certificates of listed and unlisted companies / mutual funds, term finance certificates, sukuk and bonds, which is required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 04 dated February 17, 2006, is disclosed in Annexure "C" to these financial statements. Information relating to quality of available-for-sale securities is given in Annexure "D".		
10.5	"Unrealized gain / (loss) on revaluation of held-for-trading securities"	2012	2011
		(Rupees in '000)	
Market Treasury Bills		(682)	(1,151)
Pakistan Investment Bonds		246	(8,442)
Units in open-ended mutual funds		-	1,185
Ordinary shares in listed companies		628	(8,334)
		192	(16,742)

Notes to the Financial Statements

For the year ended December 31, 2012

10.6 Details of investment in preference shares - unlisted

Name of Company	Note	Percentage of Holding	No. of shares	Paid-up Value per certificate	Total paid-up value	Breakup value per Share	Total Cost December 31, 2012	Based on audited accounts as at	Name of Chief Executive / Managing Agent
(Rupees in '000)									
First Dawood Investment Bank Limited	10.6.1	20%	14,092,000	10	140,920	-	140,920	June 30, 2012	Rasheed Y. Chinoy
Trust Investment Bank Limited	10.6.2	24%	7,500,000	10	75,000	-	75,000	June 30, 2012	Shahid Iqbal
							215,920		

10.6.1 This represents 4% cumulative preference shares redeemable at par after five years. The preference shares are non-voting, non-participatory and have a call option exercisable after two years of issue (i.e., June 9, 2010), available to the issuer and Conversion Option available to the Bank at par value, any time after issue.

10.6.2 This represents KIBOR plus 1% cumulative, convertible, redeemable and non-voting preference shares with call option available to the issuer and conversion option available to the Bank, after completion of three years from the date of issue, i.e., June 10, 2010.

10.7 The amount included in the investments in related parties last year are no longer investments in related parties since the directors nominated by the Bank have resigned during the year from the respective Boards of the investee companies.

11. ADVANCES

Loans, cash credits, running finances, etc.

	Note	2012	2011
(Rupees in '000)			
In Pakistan		27,454,164	24,188,864
Outside Pakistan		-	-
		27,454,164	24,188,864
Net investment in Ijarah:			
In Pakistan	11.2	808,859	818,408
Outside Pakistan		-	-
		808,859	818,408
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		272,910	151,422
Payable outside Pakistan		1,172,854	126,017
		1,445,764	277,439
Advances - gross	11.1	29,708,787	25,284,711
Less: Provision for non-performing advances	11.4	(3,016,021)	(2,996,912)
Advances - net of provision		26,692,766	22,287,799

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
11.1 Particulars of advances - gross			
11.1.1 In local currency		29,708,787	25,284,711
In foreign currencies		-	-
		29,708,787	25,284,711
11.1.2 Short term (for up to one year)		20,853,530	18,274,299
Long term (for over one year)		8,855,257	7,010,412
		29,708,787	25,284,711
11.2 Net investment in Ijarah			
Ijarah under finance method	11.2.1	53,879	184,213
Ijarah under IFAS-2	11.2.2	754,980	634,195
		808,859	818,408

11.2.1 Ijarah under finance method

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Ijarah rentals receivable	24,308	15,751	3,128	43,187	23,447	119,232	15,289	157,968
Residual value	17,998	2,518	40	20,556	25,927	22,292	140	48,359
Minimum Ijarah rentals	42,306	18,269	3,168	63,743	49,374	141,524	15,429	206,327
Profit for future periods	(4,327)	(4,678)	(859)	(9,864)	(2,319)	(14,273)	(5,522)	(22,114)
Net investment in Ijarah	37,979	13,591	2,309	53,879	47,055	127,251	9,907	184,213

11.2.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 893.355 million (2011: Rs. 772.667 million) less accumulated depreciation of Rs. 138.375 million (2011: Rs. 138.472 million) in accordance with the SBP letter No. BPRD/BLRD-04/2008-6268.

11.3 Advances include amounts aggregating to Rs. 4,334.605 million (2011: Rs. 3,938.731 million) which have been placed under non-performing status as detailed below:

Notes to the Financial Statements

For the year ended December 31, 2012

Category of classification	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Other Assets - Especially Mentioned*	1,818	-	1,818	-	-	-	-	-	-
Substandard**	632,568	-	632,568	69,256	-	69,256	69,256	-	69,256
Doubtful	262,798	-	262,798	10,578	-	10,578	10,578	-	10,578
Loss	3,437,421	-	3,437,421	2,928,121	-	2,928,121	2,928,121	-	2,928,121
	<u>4,334,605</u>	<u>-</u>	<u>4,334,605</u>	<u>3,007,955</u>	<u>-</u>	<u>3,007,955</u>	<u>3,007,955</u>	<u>-</u>	<u>3,007,955</u>

Category of classification	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Other Assets - Especially Mentioned*	4,529	-	4,529	-	-	-	-	-	-
Substandard	299,153	-	299,153	53,690	-	53,690	53,690	-	53,690
Doubtful	218,942	-	218,942	81,799	-	81,799	81,799	-	81,799
Loss	3,416,107	-	3,416,107	2,853,172	-	2,853,172	2,853,172	-	2,853,172
	<u>3,938,731</u>	<u>-</u>	<u>3,938,731</u>	<u>2,988,661</u>	<u>-</u>	<u>2,988,661</u>	<u>2,988,661</u>	<u>-</u>	<u>2,988,661</u>

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

** This includes net exposure of Rs. 287.13 million against Gulistan Textile Mills Limited that has been provide on the basis of SBP letter dated February 13, 2013.

11.3.1 State Bank of Pakistan through various circulars has allowed benefit of the forced sales value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for five years from the date of classification. As at December 31, 2012, the Bank has availed cumulative benefit of forced sale values of Rs. 709.895 million (2011: Rs. 604.650 million). Increase in unappropriated profit net of tax amounting to Rs. 461.430 is not available for the distribution of cash and stock dividend to the shareholders.

11.4 Particulars of provision against non-performing advances

Note	2012						2011		
	Specific	General	Total	Specific	General	Total			
	------(Rupees in '000)-----								
Opening balance	2,988,661	8,251	2,996,912	3,024,683	9,017	3,033,700			
Transferred from lendings to financials institutions	-	-	-	38,142	-	38,142			
Charge for the year	449,827	-	449,827	317,263	1,487	318,750			
Reversals	(411,114)	(185)	(411,299)	(274,405)	(2,253)	(276,658)			
	38,713	(185)	38,528	42,858	(766)	42,092			
Amounts written off	(19,419)	-	(19,419)	(117,022)	-	(117,022)			
Closing balance	<u>3,007,955</u>	<u>8,066</u>	<u>3,016,021</u>	<u>2,988,661</u>	<u>8,251</u>	<u>2,996,912</u>			

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
11.5 Particulars of write-offs		(Rupees in '000)	
11.5.1 Against provisions		19,419	117,022
Directly charged to profit and loss account		-	-
		19,419	117,022
11.5.2 Write-offs of Rs. 500,000 and above	11.5.3	13,653	93,277
Write-offs of Rs. below Rs. 500,000		5,766	23,745
	11.5.4	19,419	117,022
11.5.3 Details of loan write-off or other financial relief of Rs. 500,000 and above:			
In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, a Statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2012 is given in Annexure 'B'. However, these write-offs do not affect the Bank's right to recover debts from these customers.			
11.5.4 Write-offs pertaining to fiscal relief:			
This includes Rs. 8.16 million (2011: Rs. 63.168 million) write offs by the Bank as per the instructions of SBP in respect of relaxation under the fiscal relief to the borrowers in pursuance of Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhtunkwa, Federally Administered Tribal Area (FATA) and Provincial Administered Tribal Area (PATA).			
11.6 Particulars of loans and advances to directors, related parties, etc.		2012	2011
		(Rupees in '000)	
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		835,013	620,398
Loans granted during the year		226,817	491,213
Repayments		(79,746)	(276,598)
Balance at end of year		982,084	835,013
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	144,100	122,665
Property and equipment	12.2	1,211,014	1,171,076
Intangible assets	12.3	4,035	8,081
		1,359,149	1,301,822
12.1 Capital work-in-progress			
Intangibles		13,500	-
Office equipment		19,367	17,234
Lease conversion charges paid to Cantonment Board		75,700	70,722
Advances to suppliers and contractors		35,533	34,709
		144,100	122,665

Notes to the Financial Statements

For the year ended December 31, 2012

12.2 Property and equipment

Description	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book Value as at December 31, 2012	Depreciation Rate (%)
	As at January 01, 2012	Transfers during the year	Additions / (Disposals)/ Adjustment	As at December 31, 2012	As at January 01, 2012	Transfers during the year	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2012		
	------(Rupees in '000)-----									
Leasehold land (12.2.1)	807,298	-	-	807,298	-	-	-	-	807,298	-
Freehold land	18,705	-	-	18,705	-	-	-	-	18,705	-
Building on leasehold land	11,620	-	-	11,620	9,460	-	216	9,676	1,944	10
Building on freehold land	39,267	-	-	39,267	4,182	-	3,757	7,939	31,328	10
Furniture and fixture	89,593	-	12,620 (1,312) 1,723	102,624	38,459	-	8,600 (1,059) (116)	45,884	56,740	10 - 20
Office equipment	242,512	-	62,430 (6,575) 839	299,206	114,570	-	41,821 (5,694) 635	151,332	147,874	10 - 20
Vehicles	23,553	-	2,339 (1,681)	24,211	10,612	-	2,650 (1,010)	12,252	11,959	20
Library books	623	-	-	623	415	-	23	438	185	10
Renovation / Premises	166,474	-	56,577 (925) (2,562)	219,564	50,871	-	34,910 (679) (519)	84,583	134,981	20
	1,399,645	-	133,966 (10,493)	1,523,118	228,569	-	91,977 (8,442)	312,104	1,211,014	
			-				-			

Notes to the Financial Statements

For the year ended December 31, 2012

Description	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book Value as at December 31, 2011	Depreciation Rate (%)
	As at January 01, 2011	Transfers during the year	Additions / (Disposals)/ Adjustment	As at December 31, 2011	As at January 01, 2011	Transfers during the year	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2011		
	----- (Rupees in '000) -----									
Leasehold land (12.2.1)	-	807,298	-	807,298	-	-	-	-	807,298	-
Freehold land	807,298	(807,298)	18,705	18,705	-	-	-	-	18,705	-
Building on leasehold land	11,620	-	-	11,620	9,220	-	240	9,460	2,160	10
Building on freehold land	1,964	-	37,303	39,267	1,665	-	2,517	4,182	35,085	10
Furniture and fixture	123,432	(46,015)	22,391 (9,531) (684)	89,593	56,912	(17,893)	6,854 (6,866) (548)	38,459	51,134	10 - 20
Office equipment	183,894	12,908	63,175 (13,756) (3,709)	242,512	99,346	2,460	28,780 (12,885) (3,131)	114,570	127,942	10 - 20
Vehicles	26,408	(747)	3,266 (5,374)	23,553	10,893	84	3,033 (3,398)	10,612	12,941	20
Library books	691	(78)	10	623	387	-	28	415	208	10
Renovation / Premises	60,721	33,932	71,821	166,474	9,483	15,349	26,039	50,871	115,603	20
	1,216,028	-	216,671 (28,661) (4,393)	1,399,645	187,906	-	67,491 (23,149) (3,679)	228,569	1,171,076	

12.2.1 Revaluation of leasehold land

The leasehold land was revalued by an independent professional valuer M/s Amir Evaluators and Consultants on June 20, 2009. The valuation was carried out on the basis of professional assessment of present market values and resulted in a surplus of Rs. 765.740 million. Had there been no revaluation, the carrying amount of revalued land would have been Rs. 41.558 million respectively.

12.2.2 Details of disposals of fixed assets

The details of assets disposed off during the year, having original cost or the book value exceeding Rs. 1.000 million or Rs. 0.250 million, (whichever is lower) are as follows:

Notes to the Financial Statements

For the year ended December 31, 2012

Description	Cost	Accumulated Depreciation	Net Book Value	Sale proceeds	Mode of Disposal	Particular of Purchaser
------(Rupees in '000)-----						
Furniture and fixtures & office equipment						
Office equipment	2,967	2,452	515	900	Auction	Mr. Batin Shah, Peshawar
Office equipment	1,346	1,154	192	193	Negotiation	M/s. Touchpoint (Pvt.) Limited
Office equipment	1,210	1,207	3	40	Negotiation	Mr. Imtiaz Kabari, Lahore
Vehicles						
Honda City	878	451	427	787	Auction	Mr. Maqbool Hussain

12.3 Intangible assets

Description	COST			ACCUMULATED AMORTIZATION			Book Value as at December 31,	Amortization Rate (%)
	As at January 1,	Additions / (Disposals) / Adjustments	As at December 31,	As at January 01,	Charge for the year	As at December 31,		
------(Rupees in '000)-----								
Software 2012	13,390	541	13,931	5,309	4,587	9,896	4,035	33.33%
Software 2011	9,980	3,410	13,390	1,940	3,369	5,309	8,081	33.33%

13. DEFERRED TAX ASSETS

Deferred tax asset arising in respect of:

Provision for balances with other banks
 Deficit on revaluation of investments
 Provision for diminution in the value of investments
 Provision for non-performing loans
 Provision for other assets
 Provision for Workers Welfare Fund
 Capital loss carried forward
 Stabilization reserve

2012
(Rupees in '000)

3,510	3,510
6,077	85,923
112,196	106,840
-	18,230
3,448	3,448
31,542	20,333
16,855	24,630
41,526	40,066
215,154	302,980

Deferred tax liability arising in respect of:

Accelerated tax depreciation
 Surplus on revaluation of investment

(30,015)	(32,440)
(50,920)	(15,450)
(80,935)	(47,890)
134,219	255,090

Deferred tax asset - net

Notes to the Financial Statements

For the year ended December 31, 2012

13.1 Deferred tax asset-net

	Balance as at January 1, 2011	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2011	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2012
Deferred tax asset arising in respect of:							
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Deficit on revaluation of investments	153,605	-	(67,682)	85,923	-	(79,846)	6,077
Provision for diminution in the value of investments	62,845	43,995	-	106,840	5,356	-	112,196
Provision for non performing loans	180,681	(162,451)	-	18,230	(18,230)	-	-
Provision for other assets	3,448	-	-	3,448	-	-	3,448
Provision for Workers Welfare Fund	9,947	10,386	-	20,333	11,209	-	31,542
Capital loss carried forward	26,459	(1,829)	-	24,630	(7,775)	-	16,855
Stabilization reserve	32,528	7,538	-	40,066	1,460	-	41,526
	<u>473,023</u>	<u>(102,361)</u>	<u>(67,682)</u>	<u>302,980</u>	<u>(7,980)</u>	<u>(79,846)</u>	<u>215,154</u>
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(19,506)	(12,934)	-	(32,440)	2,425	-	(30,015)
Surplus on revaluation of investment	(10,197)	-	(5,253)	(15,450)	-	(35,470)	(50,920)
	(29,703)	(12,934)	(5,253)	(47,890)	2,425	(35,470)	(80,935)
Deferred tax asset - net	<u>443,320</u>	<u>(115,295)</u>	<u>(72,935)</u>	<u>255,090</u>	<u>(5,555)</u>	<u>(115,316)</u>	<u>134,219</u>

14. OTHER ASSETS

	Note	2012	2011
(Rupees in '000)			
Income / mark-up accrued in local currency		1,381,648	1,154,955
Advances, deposits, advance rent and other prepayments		189,698	214,894
Advance taxation (payments less provisions)		-	83,283
Non-banking assets acquired in satisfaction of claims	14.1	481,124	331,124
Stationery and stamps on hand		9,918	8,773
Inventories	14.2	28,967	27,470
Receivables against sale of securities		65,807	1,832
Others		48,035	86,551
		<u>2,205,197</u>	<u>1,908,882</u>
Less: Provision held against other assets	14.3	<u>(144,724)</u>	<u>(144,724)</u>
		<u>2,060,473</u>	<u>1,764,158</u>

14.1 The market value of non-banking assets amounts to Rs. 490.643 million (2011: Rs. 291.584 million).

14.2 The amount represents the cost of goods purchased by the agents of the Bank under agency agreements to be sold under murabaha arrangements.

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
14.3 Provision held against other assets		(Rupees in '000)	
Opening balance		144,724	137,220
Charge for the year		-	37,035
Reversal for the year		-	(17,226)
	27	-	19,809
Amounts written off		-	(12,305)
Closing balance		144,724	144,724
15. BILLS PAYABLE			
In Pakistan		558,026	281,292
Outside Pakistan		-	-
		558,026	281,292
16. BORROWINGS			
In Pakistan		7,420,113	10,391,732
Outside Pakistan		-	-
		7,420,113	10,391,732
16.1 Particulars of borrowings with respect to currencies			
In local currency		7,420,113	10,391,732
In foreign currencies		-	-
		7,420,113	10,391,732
16.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme	16.2.1	1,097,684	977,362
Agriculture financing scheme	16.2.2	15,850	2,620
SME financing scheme	16.2.3	13,307	12,000
		1,126,841	991,982
Repurchase agreement borrowings	16.2.4	6,293,272	9,399,750
		7,420,113	10,391,732

16.2.1 The Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 9% (2011: 10%) per annum. The borrowings are repayable within 180 days from the deal date.

16.2.2 The Bank adopted the Agriculture refinance scheme for flood affected areas launched by the SBP for rehabilitation of agricultural sector. During the year, SBP refinanced facilities under this scheme at the rate of 5%.

Notes to the Financial Statements

For the year ended December 31, 2012

16.2.3 This represents SBP refinance scheme for the Modernization of SME's. Under this scheme the loan is refinanced up to 100% by SBP. It carries mark-up at the rate 6.25%.

16.2.4 Repurchase agreements with financial institutions carries interest rate ranging from 7.75% to 8.85% (2011: 11.50% to 13.31%) per annum with maturities upto January 04, 2013 and are secured by way of investments given as collateral as referred in note 10.1.

	Note	2012 (Rupees in '000)	2011
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		27,685,213	22,707,527
Savings deposits		16,800,810	11,986,226
Current accounts - Non-remunerative		13,553,130	8,586,862
Call deposits		1,093,034	635,380
Margin and sundry deposits		841,576	742,502
		59,973,763	44,658,497
Financial Institutions			
Remunerative deposits		69,201	889,384
Non-remunerative deposits		119	542
		69,320	889,926
		60,043,083	45,548,423
17.1 Particulars of deposits			
In local currency		59,638,730	45,196,115
In foreign currencies		404,353	352,308
		60,043,083	45,548,423
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,268,026	1,022,946
Mark-up / return / interest payable in foreign currency		-	541
Unearned commission and income on bills discounted		36,992	35,724
Accrued expenses		49,428	59,457
Branch adjustment account		107,350	55,485
Payable to gratuity fund	33.2	57,641	113,198
Share subscription money refund		1,091	1,091
Mark-up in suspense		112,203	99,237
Deferred income on murabaha		44,423	60,253
Security deposits against Ijarah		163,579	166,104
Payable to Worker's Welfare Fund		90,120	58,095
Payable against purchase of security		-	24,560
Current taxation (provision less payments)		340,515	-
Others	18.1	158,249	140,834
		2,429,617	1,837,525

Notes to the Financial Statements

For the year ended December 31, 2012

18.1 This includes Rs. 86.426 million (2011: Rs. 55.007 million) net of expenses incurred received in advance from the Government of Khyber Pakhtunkhwa against the service fee with respect to various poverty reduction schemes launched by the Provincial Government through the Bank to overcome the unemployment in the province resulting from the "War on Terror" and to facilitate and promote entrepreneurship. The Bank acts as an agent and has been made responsible to disburse and subsequently collect the loan from borrowers and charges service fee to the Government of Khyber Pakhtunkhwa for acting as an agent.

19. SHARE CAPITAL

19.1 Authorized capital

2012	2011	Note	2012	2011
Number of shares			(Rupees in '000)	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>10,000,000</u>

19.2 Issued, subscribed and paid up capital

Fully paid ordinary shares of Rs. 10/- each

Ordinary shares

722,698,448	722,698,448	Fully paid in cash	7,226,984	7,226,984
177,444,900	100,101,700	Issued as fully paid bonus shares	1,774,449	1,001,017
<u>900,143,348</u>	<u>822,800,148</u>	19.3 & 19.4	<u>9,001,433</u>	<u>8,228,001</u>

19.3 At December 31, 2012, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 631,936,856 (2011: 577,638,808) and 77,528,622 (2011: 70,867,113) ordinary shares of Rs. 10 each respectively.

19.4 Reconciliation of number of ordinary shares of Rs 10/- each.

	2012	2011
	Number fo shares	
Shares at the beginning of the year	822,800,148	500,400,148
Add: Issued during the year	77,343,200	322,400,000
Shares at the end of the year	<u>900,143,348</u>	<u>822,800,148</u>

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
Rupees in '000			
20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) / Surplus on revaluation of available-for-sale securities			
Federal Government securities			
- Market Treasury Bills		104,627	12,931
- Pakistan Investment Bonds		(9,843)	(213,012)
Fully paid up ordinary shares - listed		41,774	(66,950)
Term finance certificates - listed		(7,519)	(13,352)
Units in open-ended mutual funds		91,157	98,657
Units in closed-end mutual funds		10,078	10,580
	10.1 & 10.2	230,274	(171,146)
Surplus on revaluation of fixed assets			
- Leasehold land	12.2.1	765,740	765,740
Deferred tax (liability) / asset		996,014 (44,843)	594,594 70,473
		951,171	665,067
21. CONTINGENCIES AND COMMITMENTS			
21.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring;			
Banks		-	-
Others		12,135	79,000
		12,135	79,000
21.2 Transaction - related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring;			
Government		4,728,553	3,578,536
Others		3,004,471	2,419,261
	21.2.1	7,733,024	5,997,797

21.2.1 The above amount includes expired letters of guarantee aggregating to Rs. 1,729.6 million as at December 31, 2012 (2011: Rs. 1,669.730 million) for which the formalities relating to return of the original documents are in process.

Notes to the Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
21.3 Trade-related contingent liabilities		
Letters of credit		
Sight	2,713,247	1,653,044
Usance	244,024	472,242
	2,957,271	2,125,286
Acceptances	462,117	259,732
	3,419,388	2,385,018
21.4 Commitments in respect of forward exchange contracts		
Purchase	1,570,901	239,575
Sale	1,587,389	260,533

21.4.1 All forward exchange contracts are backed by trade related transactions to meet the needs of the Bank's clients to generate trading revenues and, as part of its asset and liability management activity, to hedge its own exposure to currency risk. At the year end, all foreign exchange contracts have a remaining maturity of less than one year.

	2012	2011
	(Rupees in '000)	
21.5 Other commitments		
Bills for collection		
Inland bills	118,463	93,955
Foreign bills	548,762	214,771
	667,225	308,726

21.6 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21.7 Commitment for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 30.781 million (2011: Rs. 59.597 million).

21.8 The income tax assessments of the Bank have been finalized upto and including tax year 2012.

21.8.1 During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.900 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. The Bank again applied for the rectification order. During the year, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank has filed an appeal against the order of the CIR (A) in respect of remaining additions. Management believes that this matter will be decided in favour of the Bank. Consequently, no provision has been made in respect of this amount in the financial statements.

21.8.2 During the year, the tax authorities have issued an order for the tax year 2011 under sections 161 and 205 demanding the payment of withholding taxes on account of lack of evidence of tax deduction against the payments of certain expenditures. The tax demanded amounts to Rs. 15.36 million in addition to the default surcharge of Rs. 3.26 million. The Bank has filed an appeal before the Commissioner Inland Revenue (Appeals) for grant of relief. Management believes that this matter will be decided in favour of the Bank. Consequently, no provision has been made in respect of this amount in the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2012

21.9 The State Bank of Pakistan's Committee for Resolution of Cases (CRC) and Committee for Revival of Sick Industrial Units (CRSIU) had finalized the settlement of certain non-performing loans of the Bank having principal amounting to Rs.364.401 million and overdue mark-up amounting to Rs.132.916 million for an aggregate amount of Rs.165.781 million. During the year 2007, the Board of Directors had allowed implementation of CRC / CRSIU decisions on the "no choice" basis. Accordingly, five cases have been adjusted whereas payments in two cases are being received in terms of settlement agreement. The remaining one case, decided by CRC, against payment of Rs.8.058 million could not be implemented by the customer and the Bank, after cancellation of settlement, has gone into litigation against the party for recovery of the balance decrial amount.

22. MARK-UP / RETURN / INTEREST EARNED	Note	2012	2011
		(Rupees in '000)	
On loans and advances to:			
Customers			
- Profit on murabaha financing		-	212,758
- Mark-up / return / interest earned on other facilities		3,022,253	2,665,454
		3,022,253	2,878,212
On investments in:			
Held-for-trading securities		222,524	254,404
Available-for-sale securities		3,529,778	3,302,587
Held-to-maturity securities		105,310	139,580
		3,857,612	3,696,571
On deposits with financial institutions		134,433	168,885
On securities purchased under resale agreements		190,639	203,159
		7,204,937	6,946,827
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		4,255,339	3,383,981
Securities sold under repurchase agreement borrowings		272,275	1,095,235
Other short-term borrowings		83,519	72,199
Long-term borrowings		-	279
Others		39	248
		4,611,172	4,551,942
24. GAIN ON SALE OF SECURITIES			
Federal Government Securities		217,525	151,074
Ordinary shares		95,166	9,152
Term finance certificates		31	34
Units in mutual funds		(17,405)	9,123
		295,317	169,383
25. OTHER INCOME			
Postal, SWIFT, service and other charges		38,558	46,727
Rent on lockers		1,820	1,624
Gain on sale of operating fixed assets		829	2,700
Miscellaneous Income		20,069	14,091
		61,276	65,142

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
26. ADMINISTRATIVE EXPENSES			
Salaries and allowances		870,792	774,343
Charge for defined benefit plan	33.6	57,640	112,262
Contribution to defined contribution plan - Provident Fund	34	41,042	36,693
Rent, taxes, insurance, electricity, etc.		221,395	168,925
Legal and professional charges		35,745	24,719
Communications		44,954	41,194
Repairs and maintenance		14,702	14,509
Stationery and printing		22,715	20,303
Advertisement and publicity		70,792	45,710
Donations	26.1	-	225
Auditors' remuneration	26.2	5,945	6,320
Depreciation	12.2	91,977	67,491
Amortization	12.3	4,587	3,369
Brokerage and commission		12,181	9,530
Entertainment		19,279	13,408
Travelling, boarding and lodging		43,778	31,838
Vehicle expenses		5,797	6,357
Newspapers and periodicals		1,457	924
Training		2,453	8,247
Sports		1,470	465
Software maintenance charges		532	-
Security charges		34,565	27,319
Others		53,762	54,329
		1,657,560	1,468,480

26.1 Donations include following amount exceeding Rs. 100,000

None of the directors, executives and their spouses have any interest in donation made during the year. The donation amounting to Rs. Nil (2011 Rs. 225,000 was made to M/s. Abasin Art Council, Peshawar), during the year.

	Note	2012	2011
(Rupees in '000)			
26.2 Auditors' remuneration			
Audit fee		1,815	1,650
Fee for half-yearly review		787	715
Special certifications and sundry advisory services		2,637	3,414
Out-of-pocket expenses		706	541
		5,945	6,320

27. OTHER PROVISIONS / WRITE OFFS

Provision against lendings to financial institutions	9.5	114,310	38,142
Loss on disposal of non-banking assets acquired - under satisfaction of claims		-	29,305
Provision against other assets	14.3	-	19,809
Write off of operating fixed assets		-	714
		114,310	87,970

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in '000)	
28. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		18,654	8,955
Workers Welfare Fund		32,025	29,408
		50,679	38,363
29. TAXATION			
Current - for the year		496,234	271,550
- for prior years		(7,772)	26,306
Deferred tax		5,555	115,294
		494,017	413,150
29.1 Relationship between tax expense and accounting profit			
Profit before taxation		1,569,218	1,285,458
Tax at the applicable rate of 35% (2011: 35%)		549,226	449,910
Effect of different tax rates used		(51,195)	(60,346)
Prior year tax		(7,772)	26,306
Tax effect of permanent differences		(2,705)	(11,933)
Others		6,463	9,213
		494,017	413,150
30. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the year		1,075,201	872,308
		Number of shares	
Weighted average number of ordinary shares		900,143,348	675,435,751
		Rupees	
Earnings per share - Basic and Diluted		1.19	1.29
There is no dilution effect on basic earnings per share.			
	Note	2012	2011
		(Rupees in '000)	
31. CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks		3,108,819	2,802,781
Balance with other banks		1,649,512	1,527,561
		4,758,331	4,330,342

Notes to the Financial Statements

For the year ended December 31, 2012

		2012	2011
32. STAFF STRENGTH		Number of persons	
Permanent		927	890
Temporary / on contractual basis		501	492
Daily wagers		2	2
		1,430	1,384
33. DEFINED BENEFIT PLAN			
33.1	General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in note 6.8.1 to these financial statements.		
	Note	2012	2011
		(Rupees in '000)	
33.2 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligations	33.3	(331,201)	(269,845)
Fair value of plan assets	33.4	273,560	156,647
		(57,641)	(113,198)
33.3 Movement in payable to defined benefit obligation			
Opening balance		(269,845)	(173,454)
Current service cost		(40,632)	(34,429)
Interest cost		(33,731)	(22,549)
Actuarial gain / (losses)		330	(49,069)
Benefits paid during the year		12,677	9,656
Closing balance		(331,201)	(269,845)
33.4 Movement in fair value of plan assets			
Opening balance		156,647	172,518
Expected return on plan assets		19,581	22,427
Contribution during the year		113,197	-
Benefits paid by the fund		(12,677)	(9,656)
Actuarial loss on plan assets		(3,188)	(28,642)
Closing balance		273,560	156,647
33.5 Movement in payable to defined benefit plan			
Opening balance		(113,198)	(936)
Charge for the year	33.6	(57,640)	(112,262)
Contribution during the year		113,197	-
Closing balance		(57,641)	(113,198)
33.6 Amount charged to profit and loss			
Current service cost		(40,632)	(34,429)
Interest cost		(33,731)	(22,549)
Expected return on plan assets		19,581	22,427
Actuarial losses recognized in the year		(2,858)	(77,711)
		(57,640)	(112,262)

Notes to the Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
33.7 Actual return on plan assets		
The actual return earned on the assets during the year are:		
Expected return on plan assets	19,581	22,427
Actuarial loss on plan assets	(3,188)	(28,642)
	16,393	(6,215)
33.8 Components of plan assets as a percentage of total plan assets		
	2012	2011
Debt instruments	41.67%	73.00%
Equity instruments	8.98%	15.68%
Others (including bank balances)	49.35%	11.32%
	100%	100%

33.9 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2012. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.

	2012	2011
Discount rate	11.0%	12.5%
Expected rate of return on plan assets	12.5%	13.0%
Expected rate of salary increase	10.0%	11.5%
Number of employees covered under retirement benefit plan	927	890
Weighted Average expected remaining working life of employees (years)	14	14

33.10 Five year data of defined benefit plan and experience adjustments

	Rupees in '000				
	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
Present value of defined obligations	(331,201)	(269,845)	(173,454)	(154,302)	(135,725)
Fair value of plan assets	273,560	156,647	172,518	172,356	174,745
(Deficit) / surplus	(57,641)	(113,198)	(936)	18,054	39,020
	Rupees in '000				
	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
Experience adjustment arising on plan liabilities gain / (loss)	330	(49,069)	9,216	(5,370)	(43,073)
Experience adjustment arising on plan assets (loss) / gain	(3,188)	(28,642)	(10,038)	(16,039)	(11,020)

Notes to the Financial Statements

For the year ended December 31, 2012

34. DEFINED CONTRIBUTION PLAN

During the year, the Bank has contributed Rs. 41.042 million (2011: Rs. 36.693 million) to the provident fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	------(Rupees in '000)-----					
Fees (note 35.2)	-	-	1,160	1,030	-	-
Managerial remuneration	6,452	5,544	3,518	3,024	45,369	49,269
Charge for defined benefit plan	-	-	-	-	5,401	5,808
Contribution to defined contribution plan	-	-	-	-	5,009	4,977
Rent and house maintenance	834	528	607	360	14,900	14,931
Utilities	90	84	252	324	5,009	11,695
Medical	48	424	59	92	5,009	4,977
Bonus	554	231	302	126	3,503	3,671
Conveyance / Car benefit allowance / Fuel	554	378	590	504	42,815	37,531
Others	1,574	1,213	1,580	1,163	13,569	960
	<u>10,106</u>	<u>8,402</u>	<u>8,068</u>	<u>6,623</u>	<u>140,584</u>	<u>133,819</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>50</u>	<u>52</u>

35.1 The Managing Director, an executive director and certain executives have been provided with Bank maintained car in accordance with the terms of their employment.

35.2 The fee is paid to non-executive directors for attending meetings.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per their latest available audited financial statements.

The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for these 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 6.4.

The maturity and repricing profile and effective rates are stated in notes 41.5.1 and 41.4.3 respectively.

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 repriced.

Notes to the Financial Statements

For the year ended December 31, 2012

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2012				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	----- (Rupees in '000) -----				
Total income	3,662,229	1,051,710	232,241	3,234,872	8,181,052
Total expenses	3,361,950	872,570	195,082	2,676,249	7,105,851
Net income	300,279	179,140	37,159	558,623	1,075,201
Segment assets- Gross	40,326,167	7,128,811	4,578,273	34,365,713	86,398,964
Segment non performing loans	-	-	551,856	3,782,749	4,334,605
Segment provision required	-	1,060,581	22,567	3,138,178	4,221,326
Segment liabilities	32,929,759	6,408,085	1,896,670	29,216,325	70,450,839
Segment return on assets (ROA) (%)	0.74%	2.51%	0.81%	1.63%	
Segment cost of funds (%)	10.21%	13.62%	10.29%	9.16%	

	2011				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	----- (Rupees in '000) -----				
Total income	2,639,973	634,285	419,749	3,982,830	7,676,837
Total expenses	2,535,825	588,037	335,028	3,345,639	6,804,529
Net income	104,148	46,248	84,721	637,191	872,308
Segment assets- Gross	24,845,208	3,661,987	7,587,751	36,267,813	72,362,759
Segment non performing loans	-	73,293	42,247	3,823,191	3,938,731
Segment provision required	146,315	837,470	139,288	2,825,249	3,948,322
Segment liabilities	14,602,159	11,721,751	3,248,288	28,486,774	58,058,972
Segment return on assets (ROA) (%)	0.42%	1.26%	1.12%	1.76%	
Segment cost of funds (%)	17.37%	5.02%	10.31%	11.74%	

38. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

39. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its majority shareholder (Government of Khyber Pakhtunkhwa), associates, directors, key management personnel, staff retirement benefit plan and other related parties.

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuations (refer note 33 to these financial statements for the details of plan). Remuneration to the executives, disclosed in note 35 to these financial statements are determined in accordance with terms of their appointments.

Notes to the Financial Statements

For the year ended December 31, 2012

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

	Note	2012		2011	
		Directors and key management personnel	Other related parties	Directors and key management personnel	Other related parties
----- (Rupees in '000) -----					
Advances					
At the beginning of the year		140,156	27,778	122,786	-
Disbursed during the year		30,926	-	43,817	43,403
Repaid / adjusted during the year	39.3	(22,467)	(27,778)	(26,447)	(15,625)
At end of the year		<u>148,615</u>	<u>-</u>	<u>140,156</u>	<u>27,778</u>
Deposits					
At the beginning of the year		29,469	25,244	7,033	22,148
Deposited during the year		208,991	542,980	201,689	254,555
Repaid during the year		(221,973)	(418,662)	(179,253)	(251,459)
At end of the year		<u>16,487</u>	<u>149,562</u>	<u>29,469</u>	<u>25,244</u>
Transactions, income and expenditure					
Mark-up / return / interest earned		<u>3,079</u>	<u>-</u>	<u>2,543</u>	<u>2,703</u>
Mark-up / return / interest expensed		<u>410</u>	<u>4,533</u>	<u>508</u>	<u>27,446</u>

39.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (2011: 70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.

39.3 The Company is no longer a related party of the Bank as disclosed in note 10.7.

40. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

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

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

The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets. Measuring risk weighted assets requires risk mitigants to be applied to the amount of assets shown on a Bank's balance sheet. These assets are then applied weightages according to the degree of inherent risk.

The SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10%. 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.

40.1 Capital management

The Bank's objectives when managing its capital are:

- To comply with the capital requirements set by the SBP;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Notes to the Financial Statements

For the year ended December 31, 2012

SBP has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 9 billion for all Banks to be achieved by December 31, 2012. The Bank is currently meeting the aforesaid requirement and is in the process of enhancing the capital for future requirement of 10 billion by the end of December 31, 2013.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, unappropriated profit (net of losses) and reserves created by appropriations of unappropriated profits; and
- Tier 2 capital: general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets) and reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves).
- The Bank has no eligible Tier 3 capital.

Book value of Goodwill (if any), other intangible assets including software, brand value etc are deducted from Tier 1 capital whereas significant minority investment is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of potential future exposure.

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

40.2 Capital structure

Bank's regulatory capital is analyzed into three tiers:

Tier I Capital

Fully paid up capital
General reserve
Unappropriated profit

Deductions

Book value of intangibles
50% of significant minority investment
Shortfall in provisions required against classified assets irrespective of relaxation allowed

Tier II Capital

General provisions subject to 1.25% of total RWAs
Upto 45% of revaluation reserve
50% of significant minority investment

Eligible Tier III Capital

Total regulatory capital base

	2012	2011
	(Rupees in '000)	
Fully paid up capital	9,001,433	8,228,001
General reserve	937,541	722,501
Unappropriated profit	836,654	749,925
	10,775,628	9,700,427
Book value of intangibles	(17,535)	(8,081)
50% of significant minority investment	(20,252)	(20,252)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	-	(37,500)
	10,737,841	9,634,594
General provisions subject to 1.25% of total RWAs	8,066	8,251
Upto 45% of revaluation reserve	405,554	267,567
50% of significant minority investment	(20,252)	(20,252)
	393,368	255,566
Eligible Tier III Capital	-	-
Total regulatory capital base	11,131,209	9,890,160

Notes to the Financial Statements

For the year ended December 31, 2012

40.3 Capital Adequacy

Credit risk

Portfolio subject to standardized approach (simple or comprehensive)

On-balance sheet

Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR

Claims on Public Sector Entities in Pakistan

Claims on banks

Claims, denominated in foreign currency, on banks with original maturity of 3 months or less

Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR

Claims on corporate (excluding equity exposures)

Claims categorized as retail portfolio

Claims fully secured by residential property

Past due loans:

where specific provisions are less than 20 per cent of the outstanding amount of the past due claim

where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim

where specific provisions are more than 50 per cent of the outstanding amount of the past due claim

Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and/or impaired and specific provision held there against is more than 20% of outstanding amount

Listed equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book

Unlisted equity investments (other than that deducted from capital) held in banking book

All other assets

Off-balance sheet - Non Market related exposures

Direct credit substitutes / lending of securities or posting of securities as collateral

Performance related contingencies

Trade related contingencies / other commitments with original maturity of one year or less

Off-balance sheet - Market related exposures

Foreign exchange contracts with SBP

Foreign exchange contract (with original maturity of less than 14 days)

Foreign exchange contracts

Total credit risk (A)

Market risk

Capital requirement for portfolios subject to standardized approach

Interest rate risk

Equity position risk

Foreign exchange risk

Total market risk (B)

Operational risk

Basic indicator approach-total of operational risk (C)

Total (A + B + C)

	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	4,538	-	45,382	-
Claims on Public Sector Entities in Pakistan	25,353	32,789	253,528	327,890
Claims on banks	45,954	101,004	459,539	1,010,037
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	-	693	-	6,927
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	31,250	4,343	312,497	43,431
Claims on corporate (excluding equity exposures)	1,596,350	1,342,425	15,963,501	13,424,252
Claims categorized as retail portfolio	121,559	83,798	1,215,593	837,977
Claims fully secured by residential property	31,866	26,531	318,657	265,311
Past due loans:				
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	168,202	115,905	1,682,018	1,159,045
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim	20,369	16,528	203,688	165,284
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim	-	467	-	4,669
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and/or impaired and specific provision held there against is more than 20% of outstanding amount	76	130	756	1,296
Listed equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book	1,546	3,310	15,461	33,096
Unlisted equity investments (other than that deducted from capital) held in banking book	13,854	21,098	138,536	210,978
All other assets	340,209	331,299	3,402,087	3,312,989
	2,401,126	2,080,320	24,011,243	20,803,182
Off-balance sheet - Non Market related exposures				
Direct credit substitutes / lending of securities or posting of securities as collateral	250,874	297,222	2,508,744	2,972,216
Performance related contingencies	239,792	276,461	2,397,925	2,764,613
Trade related contingencies / other commitments with original maturity of one year or less	52,628	22,163	526,281	221,630
	543,294	595,846	5,432,950	5,958,459
Off-balance sheet - Market related exposures				
Foreign exchange contracts with SBP	-	-	-	-
Foreign exchange contract (with original maturity of less than 14 days)	-	-	-	-
Foreign exchange contracts	2,985	596	29,846	5,961
	2,985	596	29,846	5,961
Total credit risk (A)	2,947,405	2,676,763	29,474,040	26,767,602
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	750,963	493,520	7,509,630	4,935,203
Equity position risk	220,644	893,039	2,206,440	8,930,390
Foreign exchange risk	30,799	24,544	307,986	245,435
Total market risk (B)	1,002,406	1,411,103	10,024,056	14,111,028
Operational risk	491,111	271,578	4,911,113	2,715,784
Basic indicator approach-total of operational risk (C)	491,111	271,578	4,911,113	2,715,784
Total (A + B + C)	4,440,922	4,359,445	44,409,209	43,594,414

Notes to the Financial Statements

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		2012	2011
		(Rupees in '000)	
Capital adequacy ratio			
Total eligible regulatory capital held (Rupees in '000)	(a)	11,131,209	9,890,160
Total risk weighted assets (Rupees in '000)	(b)	44,409,209	43,594,414
Capital adequacy ratio	(a) / (b)	25.07%	22.69%

41. RISK MANAGEMENT

The Bank's aim is to achieve appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. To achieve this Bank has adopted an approach that gives an integrated view of the risks faced by the organization. Following is the risk management governance structure at the bank:

- The overall risk management structure of the Bank is overseen by the Board through its Board Risk Management Committee (BRMC);
- Whereas at the senior management level Management Risk Management Committee (MRMC) is responsible for monitoring the progress of different initiatives as well as other impeding issues;
- Risk Management Division (RMD) is the organizational arm performing the functions of identifying, measuring, controlling and monitoring various risks and assists the high level committees in putting the risk management policies into action.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified and assessed, properly documented, approved, and adequately monitored and managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank is extensively pursuing the implementation of Basel II Framework and in order to meet the relevant requirements significant steps have been taken by the Bank including revision of risk management policies, development of skilled human resource, etc.

41.1 Credit risk

Credit risk is the potential that the counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligations. The Bank is exposed to credit risk through its lending and investment activities as well as from contingent liabilities.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposures of the Bank. The Bank has established a credit risk management framework to manage credit risk on relationship as well as at portfolio level.

Credit risk management is governed by Board Risk Management Committee, the Board of Directors and other instructions and guidelines outlined by SBP. The Bank attempts to control risk by monitoring credit exposure, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where applicable.

The Bank has adopted standardized approach to measure Credit risk regulatory charge in compliance with Basel-II requirements. The approach is reliant upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

The Bank's focus in the coming year is to enhance its credit rating models, loan initiation process, appropriate pre and post disbursement monitoring and system infrastructure in line with its ambition to provide maximum sophistication in credit risk management field and move towards the ladder to advance approach for Basel II.

Notes to the Financial Statements

For the year ended December 31, 2012

41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	128,500	0.94
Agriculture, forestry, hunting and fishing	1,031,370	3.47	901,246	1.50	175,661	1.29
Automobile and transportation equipment	555,726	1.87	-	0.00	147,019	1.08
Cement	674,871	2.27	-	0.00	93,541	0.68
Chemical and pharmaceuticals	829,888	2.79	-	0.00	58,373	0.43
Contractors / construction	1,964,116	6.61	3,905,362	6.50	7,118,304	52.11
CNG stations	211,228	0.71	-	0.00	1,118,478	8.19
Education and health	52,124	0.18	443,430	0.74	221,650	1.62
Financial	569,002	1.92	1,848,090	3.08	-	0.00
Fisheries	295,224	0.99	-	0.00	-	0.00
Food and beverages	477,307	1.61	-	0.00	27,164	0.20
Ghee / cooking oil	796,247	2.68	-	0.00	440,300	3.22
Individuals	1,296,662	4.36	8,510,493	14.17	9,864	0.07
Manufacturing of match	306,452	1.03	-	0.00	345,025	2.53
Miscellaneous manufacturing	2,554,735	8.60	380,553	0.63	684,367	5.01
Petrochemicals	352,494	1.19	-	0.00	56,198	0.41
Production and transmission of energy	1,036,615	3.49	203,251	0.34	610,369	4.47
Services	1,186,523	3.99	52,828	0.09	424,574	3.11
Sugar	1,684,108	5.67	-	0.00	66,570	0.49
Textile	3,423,162	11.52	107,377	0.18	437,708	3.20
Trading	2,374,924	7.99	3,534,600	5.89	1,049,805	7.69
Commodity operation	6,392,921	21.52	-	0.00	-	0.00
Others	1,643,088	5.53	40,155,853	66.88	446,962	3.26
	<u>29,708,787</u>	<u>100.00</u>	<u>60,043,083</u>	<u>100.00</u>	<u>13,660,432</u>	<u>100.00</u>

	2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	128,500	1.36
Agriculture, forestry, hunting and fishing	605,572	2.40	672,648	1.48	62,290	0.66
Automobile and transportation equipment	468,791	1.85	-	-	137,222	1.45
Cement	918,856	3.63	-	-	34,524	0.37
Chemical and pharmaceuticals	860,142	3.40	-	-	101,951	1.08
Contractors / construction	3,433,855	13.58	3,708,204	8.14	3,980,433	42.20
CNG stations	288,068	1.14	-	-	668,560	7.09
Education and health	46,650	0.18	111,032	0.24	336,835	3.57
Financial	767,635	3.04	991,760	2.18	-	-
Fisheries	295,224	1.17	-	-	-	-
Food and beverages	481,985	1.91	-	-	7,471	0.08
Ghee / cooking oil	521,479	2.06	-	-	223,399	2.37
Individuals	902,333	3.57	6,319,686	13.87	18,566	0.20
Manufacturing of match	295,445	1.17	-	-	230,011	2.44
Miscellaneous manufacturing	1,505,372	5.95	376,266	0.83	378,329	4.01
Petrochemicals	446,744	1.77	-	-	82,602	0.88
Production and transmission of energy	1,094,355	4.33	128,589	0.28	548,588	5.82
Services	851,148	3.37	68,324	0.15	254,084	2.69
Sugar	1,567,767	6.20	-	-	34,686	0.37
Textile	2,185,290	8.64	-	-	331,704	3.52
Trading	1,624,112	6.42	2,270,998	4.99	159,659	1.69
Commodity operation	4,132,909	16.35	-	-	-	-
Others	1,990,979	7.87	30,900,916	67.84	1,713,025	18.16
	<u>25,284,711</u>	<u>100.00</u>	<u>45,548,423</u>	<u>100.00</u>	<u>9,432,439</u>	<u>100.00</u>

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For the year ended December 31, 2012

41.1.1.2 Segment by sector

	2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	6,392,921	21.52	31,713,355	52.82	-	0.00
Private	23,315,866	78.48	28,329,728	47.18	13,660,432	100.00
	<u>29,708,787</u>	<u>100.00</u>	<u>60,043,083</u>	<u>100.00</u>	<u>13,660,432</u>	<u>100.00</u>

	2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	4,288,688	16.96	19,673,256	43.19	-	0.00
Private	20,996,023	83.04	25,875,167	56.81	9,432,439	100.00
	<u>25,284,711</u>	<u>100.00</u>	<u>45,548,423</u>	<u>100.00</u>	<u>9,432,439</u>	<u>100.00</u>

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

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	------(Rupees in '000)-----			
Agriculture, forestry, hunting and fishing	23,235	16,586	20,915	3,534
Automobile and transportation equipment	180,698	179,749	177,761	185,102
Cement	209,816	142,499	212,603	142,499
Chemical and Pharmaceuticals	116,103	104,533	101,729	101,653
Contractors / Construction	327,942	253,625	375,270	174,388
Financial	423,426	423,426	603,761	455,625
Fisheries	281,856	281,856	281,856	281,856
Food and beverages	78,733	18,740	147,144	130,557
Footwear and Leather garments	108,684	108,684	108,684	103,215
Ghee / cooking oil	125,749	125,749	129,125	129,125
Individuals	9,419	9,419	143,284	82,537
Miscellaneous manufacturing	397,371	266,073	294,688	286,286
Services	59,612	36,329	122,200	101,960
Textile	424,243	41,720	175,766	97,125
Trading	887,422	458,920	315,117	123,408
Others	680,296	540,047	728,828	589,791
	<u>4,334,605</u>	<u>3,007,955</u>	<u>3,938,731</u>	<u>2,988,661</u>

41.1.1.4 Details of non-performing advances and specific provisions by sector

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	------(Rupees in '000)-----			
Public / Government	-	-	-	-
Private	4,334,605	3,007,955	3,938,731	2,988,661
	<u>4,334,605</u>	<u>3,007,955</u>	<u>3,938,731</u>	<u>2,988,661</u>

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41.2 Credit risk - general disclosures

The Bank is following standardized approach for all its credit risk exposures.

41.2.1 Credit risk: Disclosures for portfolio subject to the Standardized Approach-Basel II specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, ECAIs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used for domestic claims. The SBP allows to use Fitch, S&P & Moody's ratings in case of claims on foreign entities but the Bank currently does not have any such claim.

Type of exposures for which each agency is used in the year ended 2012 is presented below:

Exposures	2012	
	JCR - VIS	PACRA
Corporate	✓	✓
Banks	✓	✓
Sovereigns	✓	✓
SME's	✓	✓
Securitization	N / A	N / A
Others	N / A	N / A

Credit risk: Disclosures with respect to Credit Risk Mitigation (CRM) for Standardized Approach

Eligible cash collaterals under standardized approach are used for credit risk mitigation. The forms of collateral that are deemed to be eligible collateral under the 'Simple Approach' to Credit Risk Mitigation (CRM) as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

Exposures	Rating Category Number	Credit Exposures subject to Standardised approach					
		2012			2011		
		Amount Outstanding	Deduction CRM*	Net Amount	Amount Outstanding	Deduction CRM *	Net Amount
-----Rupees in '000-----							
Corporate	1	-	-	-	-	-	-
	2	865,532	-	865,532	622,375	-	622,375
	3 & 4	-	-	-	-	-	-
	5 & 6	-	-	-	-	-	-
Unrated		15,530,735	-	15,530,735	13,708,829	595,765	13,113,064
Banks	1	1,113,243	-	1,113,243	2,141,874	-	2,141,874
	2 & 3	60	-	60	613,893	-	613,893
	6	-	-	-	114,310	-	114,310
Un-rated		460,600	-	460,600	206,503	-	206,503
With maturity of 3 months or less (PKR)		1,562,487	-	1,562,487	217,156	-	217,156
With maturity of 3 months or less (FCY)		13,121	-	13,121	34,634	-	34,634
Retail		1,620,790	-	1,620,790	2,102,348	985,045	1,117,303
Claims subject to residential mortgage		910,449	-	910,449	758,032	-	758,032
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
Un-rated		507,056	-	507,056	655,779	-	655,779
Past due		1,326,544	-	1,326,544	949,911	-	949,911
Listed and unlisted equities (strategic)		98,318	-	98,318	173,748	-	173,748
Others		3,402,087	-	3,402,087	3,312,989	-	3,312,989

*CRM= Credit Risk Management

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41.2.2 Equity position risk in the banking book-Basel II Specific

Investments in equity were classified as trading book as market related exposure.

41.3 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	------(Rupees in '000)-----			
Pakistan	1,569,218	82,177,638	11,726,799	13,660,432
Outside Pakistan	-	-	-	-
	<u>1,569,218</u>	<u>82,177,638</u>	<u>11,726,799</u>	<u>13,660,432</u>
	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	------(Rupees in '000)-----			
Pakistan	1,285,458	68,424,466	10,365,494	9,432,439
Outside Pakistan	-	-	-	-
	<u>1,285,458</u>	<u>68,424,466</u>	<u>10,365,494</u>	<u>9,432,439</u>

41.4 Market risk

It is the risk that the value of the On and Off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, equity prices and / or commodity prices resulting in a loss of earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

The Bank's Market Risk Management structure consists of BRMC for Board oversight, MRMC and Asset and Liability Committee (ALCO) at the senior management level and dedicated Market Risk Management Department (MRMD) reporting directly to Head Risk Management Division. MRMD is responsible for policy formulation, procedures development, controlling of market risks including monitoring of exposures against limits and assessment of risks in new businesses. Market risk authority, including both approval of market risk limits and approval of market risks is vested in ALCO.

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Various relevant limits are set and approved by ALCO for proper management of Market risk. The intra-day positions are managed by Treasury division through stop loss / dealers limits. Stress testing is carried out for both banking and trading books as per SBP guidelines.

The Bank has adopted standardized approach to measure Market risk regulatory charge in compliance with Basel-II requirements. MRMD is preparing SBP Stress testing report and market risk capital charge on quarterly basis. The market risk is further divided into various sub-categories, which are defined as follows:

41.4.1 Foreign exchange risk

Foreign exchange risk / currency risk is defined as risk of loss to earnings and capital arising from adverse movements in currency exchange rates. The Bank undertakes currency risk mostly to support its trade services and maintains overall foreign exchange risk position to the extent of statutory Foreign Exchange Exposure Limit prescribed by SBP.

Exposure limits such as counterparty, gap, currency-wise net open position, dealer and product limits are also in place in accordance with the Bank's approved policies to limit risk and concentration to the acceptable tolerance levels. Adequate reporting is maintained to ALCO on regular frequencies for required monitoring. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions where required.

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For the year ended December 31, 2012

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan rupee	80,248,872	70,004,181	(5,131,536)	5,113,155
US Dollar	1,686,885	378,795	4,746,508	6,054,598
Pound Sterling	124,928	50,174	16,021	90,775
Japanese Yen	4,827	-	48,770	53,597
Euro	90,799	17,689	320,237	393,347
Other Currencies	21,327	-	-	21,327
	82,177,638	70,450,839	-	11,726,799
	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan rupee	67,826,464	57,684,047	(2,325,825)	7,816,592
US Dollar	486,749	302,677	2,136,209	2,320,281
Pound Sterling	56,760	38,131	7,559	26,188
Japanese Yen	4,757	-	61,676	66,433
Euro	46,273	34,117	120,381	132,537
Other Currencies	3,463	-	-	3,463
	68,424,466	58,058,972	-	10,365,494

41.4.2 Equity position risk

It is the risk of loss to earnings or capital as a result from unfavorable fluctuations in prices of shares in which the Bank carries long and / or short positions, in its trading book.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The Treasury division ensures compliance of concentration limits set by ALCO. Limit breaches if any are promptly reported to ALCO for approval.

41.4.3 Yield / interest rate risk

Yield curve risk is the risk that a financial instrument will suffer either a decline because future changes in prevailing interest rates impact assets more or less than they impact liabilities.

Risk is addressed by ALCO that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities to ensure that the spread of the Bank remains at an acceptable level.

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For the year ended December 31, 2012

41.4.4 Mismatch of interest rate sensitive assets and liabilities

The Bank's yield / interest rate sensitivity position based on the maturity date is as follows:

Effective Yield/ Interest Rate	2012										Non-interest bearing financial instruments
	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	
	----- Exposed to Yield/ Interest risk -----										
	----- Rupees in '000 -----										
On-balance sheet financial instruments											
Financial assets											
Cash and balances with treasury banks	3,108,819	-	-	-	-	-	-	-	-	-	3,108,819
Balances with other banks	1,649,512	536,208	-	-	-	-	-	-	-	-	1,113,304
Lending to financial institutions	1,501,000	1,500,000	-	1,000	-	-	-	-	-	-	-
Investments	45,671,700	2,943,147	10,611,259	7,043,613	14,598,803	102,246	102,335	2,380,087	5,828,174	-	2,062,036
Advances	26,692,766	1,628,302	3,470,343	1,336,638	5,700,704	7,241,663	798,340	3,500,155	623,511	2,393,110	-
Other assets	1,600,626	-	-	-	-	-	-	-	-	-	1,600,626
	80,224,423	6,607,657	14,081,602	8,381,251	20,299,507	7,343,909	900,675	5,880,242	6,451,685	2,393,110	7,884,785
Financial liabilities											
Bills payable	558,026	-	-	-	-	-	-	-	-	-	558,026
Borrowings	7,420,113	6,803,055	-	537,902	65,600	8,821	-	4,735	-	-	-
Deposits and other accounts	60,043,083	150,619	1,177,093	19,316,742	21,819,238	396,649	158,495	1,491,062	-	-	15,533,185
Other liabilities	1,859,926	-	-	-	-	-	-	-	-	-	1,859,926
	69,881,148	6,953,674	1,177,093	19,854,644	21,884,838	405,470	158,495	1,495,797	-	-	17,951,137
On-balance sheet gap	10,343,275	(346,017)	12,904,509	(11,473,393)	(1,585,331)	6,938,439	742,180	4,384,445	6,451,685	2,393,110	(10,066,352)
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase	1,570,901	-	-	-	-	-	-	-	-	-	1,570,901
Commitments in respect of forward exchange contracts - sale	1,587,389	-	-	-	-	-	-	-	-	-	1,587,389
Off-balance sheet gap	(16,488)	-	-	-	-	-	-	-	-	-	(16,488)
Total Yield/Interest Risk Sensitivity Gap	(346,017)	12,904,509	(11,473,393)	(1,585,331)	(1,585,331)	6,938,439	742,180	4,384,445	6,451,685	2,393,110	
Cumulative Yield/Interest Risk Sensitivity Gap	(346,017)	12,558,492	1,085,099	(500,232)	(500,232)	6,438,207	7,180,387	11,564,832	18,016,517	20,409,627	

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Effective Yield/Interest Rate	2011										Non-interest bearing financial instruments
	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										
On-balance sheet financial instruments											
<u>Financial assets</u>											
Cash and balances with treasury banks	2,802,781	-	-	-	-	-	-	-	-	-	2,802,781
Balances with other banks	1,527,561	1,391,575	-	-	-	-	-	-	-	-	135,986
Lending to financial institutions	1,800,566	1,683,256	-	-	3,000	114,310	-	-	-	-	-
Investments	36,684,689	1,865,757	3,131,219	9,812,847	3,633,447	3,079,207	739,974	2,289,680	-	-	4,679,448
Advances	22,287,799	522,696	1,221,659	2,105,346	491,531	4,754,574	195,893	3,119,738	876,896	-	-
Other assets	1,358,232	-	-	-	-	-	-	-	-	-	1,358,232
	66,461,628	5,463,284	4,352,878	18,812,313	4,127,978	7,948,091	935,867	5,409,418	876,896	-	8,976,447
<u>Financial liabilities</u>											
Bills payable	281,292	-	-	-	-	-	-	-	-	-	281,292
Borrowings	10,391,732	9,499,750	481,682	2,620	-	12,000	-	-	-	-	-
Deposits and other accounts	45,548,423	1,022,165	2,049,204	15,207,940	1,269,703	423,710	794,282	-	-	-	10,039,653
Other liabilities	1,570,255	-	-	-	-	-	-	-	-	-	1,570,255
	57,791,702	10,521,915	2,530,886	15,137,446	1,269,703	435,710	794,282	-	-	-	11,891,200
On-balance sheet gap	8,669,926	(5,058,631)	1,821,992	(5,578,990)	3,601,753	2,858,275	7,512,381	141,585	5,409,418	876,896	(2,914,753)
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase	239,575	-	-	-	-	-	-	-	-	-	239,575
Commitments in respect of forward exchange contracts - sale	260,533	-	-	-	-	-	-	-	-	-	260,533
Off-balance sheet gap	(20,958)	-	-	-	-	-	-	-	-	-	(20,958)
Total Yield/Interest Risk Sensitivity Gap	(5,058,631)	1,821,992	(5,578,990)	3,601,753	2,858,275	7,512,381	141,585	5,409,418	876,896	-	(20,958)
Cumulative Yield/Interest Risk Sensitivity Gap	(5,058,631)	(3,236,639)	(8,815,629)	(5,213,876)	(2,355,601)	5,156,780	5,298,365	10,707,783	11,584,679	-	11,584,679

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

	2012 (Rupees in '000)	2011
Reconciliation of total assets		
Total financial assets	80,224,423	66,461,628
Add: Non financial assets		
Operating fixed assets	1,359,149	1,301,822
Deferred tax asset	134,219	255,090
Other assets	459,847	405,926
	1,953,215	1,962,838
Balance as per balance sheet	82,177,638	68,424,466
Reconciliation of total liabilities		
Total financial liabilities	69,881,148	57,791,702
Add: Non financial liabilities		
Deferred tax liabilities	-	-
Other liabilities	569,691	267,270
	569,691	267,270
Balance as per balance sheet	70,450,839	58,058,972

41.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. Liquidity risk is governed by the liquidity management policy of the Bank and is managed by Market Risk Management Department under the supervision of ALCO.

Efficient and accurate planning plays a critical role in liquidity management. ALCO has devised the liquidity management policy to maintain sufficient liquidity to deal with any possible catastrophe. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign banks and can fulfill its liquidity gap if need so arises.

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41.5.1 Maturities of assets and liabilities - based on expected maturity

	2012									
	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	Over 10 Years	
Rupees in '000-										
Assets										
Cash and balances with treasury banks	3,108,819	-	-	-	-	-	-	-	-	-
Balances with other banks	1,649,512	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	1,501,000	-	1,000	-	-	-	-	-	-	-
Investments	45,671,700	8,653,340	2,787,267	16,802,412	3,435,635	4,147,998	3,633,447	6,180,696	-	-
Advances	26,682,766	2,901,186	2,503,343	2,112,219	2,255,379	2,016,471	2,968,022	1,743,122	538,990	-
Operating fixed assets	1,359,149	30,948	68,532	108,492	194,617	175,268	245,219	390,450	130,150	-
Deferred tax assets	134,219	-	-	-	134,219	-	-	-	-	-
Other assets	2,060,473	1,299,491	9,918	118,665	-	-	-	436,400	-	-
	82,177,638	17,258,234	11,781,473	5,370,060	19,141,788	6,019,850	6,339,737	6,846,688	8,750,668	669,140
Liabilities										
Bills payable	558,026	-	-	-	-	-	-	-	-	-
Borrowings	7,420,113	6,803,055	-	65,600	8,821	-	4,735	-	-	-
Deposits and other accounts	60,043,083	19,745,373	3,580,391	23,803,480	1,207,936	324,931	910,682	70,833	450,000	-
Other liabilities	2,429,617	1,385,203	161,788	414,692	134,779	112,201	57,375	-	-	-
	70,450,839	28,491,657	3,742,179	10,650,938	24,283,772	1,351,536	437,132	972,792	70,833	450,000
Net assets / (liabilities)	11,726,799	(11,233,423)	8,039,294	(5,280,878)	(5,141,984)	4,668,314	5,902,605	5,873,896	8,679,835	219,140
Represented by:										
Share capital	9,001,433	-	-	-	-	-	-	-	-	-
Reserves	937,541	-	-	-	-	-	-	-	-	-
Unappropriated profit	836,654	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	951,171	-	-	-	-	-	-	-	-	-
	<u>11,726,799</u>	<u>(11,233,423)</u>	<u>8,039,294</u>	<u>(5,280,878)</u>	<u>(5,141,984)</u>	<u>4,668,314</u>	<u>5,902,605</u>	<u>5,873,896</u>	<u>8,679,835</u>	<u>219,140</u>

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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	Over 10 Years
Assets										
Cash and balances with treasury banks	2,802,781	2,802,781	-	-	-	-	-	-	-	-
Balances with other banks	1,527,561	1,527,561	-	-	-	-	-	-	-	-
Lendings to financial - institutions	1,800,566	1,683,256	-	-	-	3,000	-	-	-	-
Investments	36,684,689	2,314,641	7,361,783	5,388,002	9,930,953	3,799,710	3,235,735	1,494,337	3,159,528	-
Advances	22,287,799	4,685,701	2,657,502	6,188,374	1,783,952	719,743	1,736,612	2,361,942	1,737,211	416,562
Operating fixed assets	1,301,822	16,273	32,546	48,818	97,637	165,982	141,085	239,844	419,728	139,909
Deferred tax assets	255,090	-	-	-	-	255,090	-	-	-	-
Other assets	1,764,158	1,114,117	156,691	8,773	198,177	-	-	286,400	-	-
	68,424,466	14,144,330	10,208,522	11,633,967	12,010,719	4,943,525	5,227,942	4,096,123	5,602,867	556,471
Liabilities										
Bills payable	281,292	281,292	-	-	-	-	-	-	-	-
Borrowings	10,391,732	9,499,750	481,682	395,680	2,620	-	12,000	-	-	-
Deposits and other accounts	45,548,423	18,506,917	3,200,647	4,648,479	15,645,394	2,110,019	442,460	504,348	112,331	377,828
Other liabilities	1,837,525	1,112,925	151,029	166,104	60,226	118,348	115,695	113,198	-	-
	58,058,972	29,400,884	3,833,358	5,210,263	15,708,240	2,228,367	570,155	617,546	112,331	377,828
Net assets / (liabilities)	10,365,494	(15,256,554)	6,375,164	6,423,704	(3,697,521)	2,715,158	4,657,787	3,478,577	5,490,536	178,643
Represented by:										
Share capital	8,228,001									
Reserves	722,501									
Unappropriated profit	749,925									
Surplus on revaluation of assets	665,067									
	10,365,494									

Notes to the Financial Statements

For the year ended December 31, 2012

41.5.2 Maturities of assets and liabilities - based on contractual maturity

2012

Assets	Rupees in '000									
	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	Over 10 Years	
Cash and balances with treasury banks	3,108,819	-	-	-	-	-	-	-	-	-
Balances with other banks	1,649,512	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	1,501,000	-	1,000	-	-	-	-	-	-	-
Investments	45,671,700	8,653,340	2,787,267	16,802,412	3,435,635	4,147,998	3,633,447	6,180,696	-	-
Advances	26,692,766	9,654,034	2,901,186	2,112,219	2,255,379	2,016,471	2,968,022	1,743,122	538,990	-
Operating fixed assets	1,359,149	15,473	30,948	108,492	194,617	175,268	245,219	390,450	130,150	-
Deferred tax assets	134,219	-	-	-	134,219	-	-	-	-	-
Other assets	2,060,473	1,299,491	195,999	118,665	-	-	-	436,400	-	-
	82,177,638	17,258,234	11,781,473	5,370,060	19,141,788	6,019,850	6,339,737	6,846,688	8,750,668	669,140
Liabilities										
Bills payable	558,026	-	-	-	-	-	-	-	-	-
Borrowings	7,420,113	6,803,055	-	65,600	8,821	-	4,735	-	-	-
Deposits and other accounts	60,043,083	24,200,300	3,447,852	21,203,480	1,207,936	324,931	910,682	70,833	450,000	-
Other liabilities	2,429,617	1,385,203	144,364	432,116	134,779	112,201	57,375	-	-	-
	70,450,839	32,946,584	3,592,216	8,928,550	1,351,536	437,132	972,792	70,833	450,000	-
Net assets / (liabilities)	11,726,799	(15,688,350)	8,189,257	(3,558,490)	(2,559,408)	4,668,314	5,902,605	5,873,896	8,679,835	219,140

Represented by:

Share capital	9,001,433
Reserves	937,541
Unappropriated profit	836,654
Surplus on revaluation of assets	951,171
	<u>11,726,799</u>

Notes to the Financial Statements

For the year ended December 31, 2012

2011

Total	Rupees in '000									
	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	Over 10 Years	
Assets										
Cash and balances with treasury banks	2,802,781	-	-	-	-	-	-	-	-	-
Balances with other banks	1,527,561	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	1,800,566	-	-	-	3,000	-	-	-	-	-
Investments	36,684,689	2,314,641	7,361,783	9,930,953	3,799,710	3,235,735	1,494,337	3,159,528	-	-
Advances	22,287,799	4,685,701	2,657,502	1,783,952	719,743	1,736,612	2,361,942	1,737,211	416,562	-
Operating fixed assets	1,301,822	16,273	32,546	97,637	165,982	141,085	239,844	419,728	139,909	-
Deferred tax assets	255,090	-	-	-	255,090	-	-	-	-	-
Other assets	1,764,158	1,114,117	156,691	198,177	-	-	-	286,400	-	-
	68,424,466	14,144,330	10,208,522	11,633,967	12,010,719	4,943,525	5,227,942	4,096,123	5,602,867	556,471
Liabilities										
Bills payable	281,292	-	-	-	-	-	-	-	-	-
Borrowings	10,391,732	9,499,750	481,682	2,620	-	-	12,000	-	-	-
Deposits and other accounts	45,548,423	20,506,917	3,200,647	13,645,394	2,110,019	442,460	504,348	112,331	377,828	-
Other liabilities	1,837,525	1,112,925	151,029	60,226	118,348	115,695	113,198	-	-	-
	58,058,972	31,400,884	3,833,358	13,708,240	2,228,367	570,155	617,546	112,331	377,828	-
Net assets / (liabilities)	10,365,494	(17,256,554)	6,375,164	6,423,704	(1,697,521)	2,715,158	4,657,787	3,478,577	5,490,536	178,643
Represented by:										
Share capital	8,228,001	-	-	-	-	-	-	-	-	-
Reserves	722,501	-	-	-	-	-	-	-	-	-
Share Subscription money	749,925	-	-	-	-	-	-	-	-	-
Unappropriated profit	665,067	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	10,365,494	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended December 31, 2012

41.6 Country risk

Typically, it is defined as the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country. Country risk is governed by the Country Risk management policy of the Bank and is managed by Market Risk Management Department under the supervision of ALCO.

41.7 Operational risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

BOK defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk"

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels keeping in view the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated and tested.

The Bank has also in place the Business Continuity Plan and appropriate outsourcing measures to cater related operational risks.

Currently the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. However, migration to Standardized Approach is planned for future. In this regard, the Bank has already in place an approved Operational Risk Policy.

42. DATE OF AUTHORIZATION FOR ISSUE

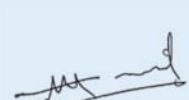
The financial statements were authorized for issue on March 04, 2013 by the Board of Directors of the Bank.

43. GENERAL

These financial statements have been prepared in accordance with the revised format for the financial statements of banks issued by the State Bank of Pakistan through BSD Circular No. 4 dated February 17, 2006.



Managing Director



Director



Director



Director

The Bank of Khyber
Statement of Financial Position - Islamic Operations
As at December 31, 2012
Annexure 'A' to the Financial Statements as Referred to in Note 2.2
The Bank is Operating 35 (2011: 26) Islamic Banking Branches at the end of Current Year.

	Note	2012	2011
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,099,279	823,049
Balances with other banks		505,487	530,736
Due from Financial Institutions		1,200,000	-
Investments		9,643,191	7,722,833
Islamic Financing and Related Assets	A-2	3,211,717	3,058,221
Operating fixed assets		165,394	157,084
Deferred tax assets		-	-
Other assets		407,517	320,665
		16,232,585	12,612,588
LIABILITIES			
Bills payable		135,187	71,223
Due to Financial Institutions		-	-
Deposits and other accounts			
-Current Accounts		4,635,304	3,253,099
-Saving Accounts		5,860,672	5,053,747
-Term Deposits		1,729,823	1,488,255
-Others		735,268	189,105
-Deposit from Financial Institutions -Remunerative		363,298	74,368
Other liabilities		441,140	604,509
		13,900,692	10,734,306
NET ASSETS		2,331,893	1,878,282
REPRESENTED BY			
Islamic Banking Fund		460,000	460,000
Unappropriated profit		1,871,893	1,390,135
		2,331,893	1,850,135
Surplus/ (Deficit) on revaluation of assets		-	28,147
		2,331,893	1,878,282
REMUNERATION TO SHARIAH ADVISOR		1,652	1,406
CHARITY FUND			
Opening balance		-	-
Additions during the year		345	52
Payments during the year		(345)	(52)
		-	-
Closing balance		-	-

The Bank of Khyber

Profit and Loss Account - Islamic Operations

For the year ended December 31, 2012

Annexure 'A' to the Financial Statements as Referred to in Note 2.2

	2012	2011
	(Rupees in '000)	
Income / return / profit earned	1,420,741	1,249,127
Income / return / profit expensed	(481,526)	(393,780)
	939,215	855,347
(Reversal of provision) / provision against non-performing financing	(5,787)	28,887
Provision for diminution in value of investments	-	-
	(5,787)	28,887
Net Income / return / profit after provisions	945,002	826,460
OTHER INCOME		
Fee, commission and brokerage income	57,814	44,850
Dividend income	19,584	7,853
Income from dealing in foreign currencies	25,819	14,162
Unrealized gain / (loss) on revaluation of held-for-trading securities	340	(1,820)
Gain on sale of securities	4,624	1,512
Other income	16,936	22,976
Total other income	125,117	89,533
	1,070,119	915,993
OTHER EXPENSES		
Administrative expenses	588,347	424,188
Other charges	14	-
Total other expenses	588,361	424,188
Profit before taxation	481,758	491,805
Unappropriated profit brought forward	1,390,135	898,330
Profit available for appropriation	1,871,893	1,390,135

The Bank of Khyber

Notes to the Annexure 'A'

For the year ended December 31, 2012

A-1 The Bank of Khyber, Islamic Banking Group is operating following Pools / Sub-pools.

A. General pool

Sub-pools

- B. Riba free special deposit pool - 1
- C. Riba free special deposit pool - Banks
- D. Riba free special deposit pool - Corporate
- E. Riba free special deposit pool - Mutual fund / FI
- F. Riba free special deposit pool - Staff provident fund

Features of General Pool

In this pool all types of deposits are accepted on Musharakah basis. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by Shariah Advisor. Deposits are accepted through all the Bank Islamic branches as well as Islamic Desks established in conventional branches of the Bank.

Key features

- No restriction on minimum deposit to share profit. However, nominal minimum amount may be required to open account.
- Profit payment on monthly / six monthly / annually / at maturity.
- Profit calculated on daily average balance for the month.
- Investment for six months to five years.
- Pre-mature termination allowed subject to adjustment of profit.

Features of Sub-pools

In sub pools, deposits are accepted on Musharakah basis against specific assets and are offered expected profit rates. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank as well as Islamic Desks established in conventional branches of the Bank.

These deposits are tagged with specific assets and deposits are accepted only when there is some opportunity of investment. These are restricted deposits and require approval before acceptance.

Key features

- Minimum investment is prescribed by the Bank for each sub-pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment if expected profit reduces for the coming months.
- All Special Pools are created as Sub Pools of the General Pool. All administrative expenses of the pools are born by the General Pool as equity contributor. However, depositors bear the risk of all provisions, direct losses, expenses or diminution in value or earning of the assets of the pool. All residual income of the Pool is transferred to the General Pool being equity holders.

The Bank of Khyber

Notes to the Annexure 'A'

For the year ended December 31, 2012

Profit sharing and weightages for distribution of profit

Assignment of weightage for profit distribution to different types of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:
 1. Period of investment (number of months, years etc.)
 2. Profit payment option (monthly, quarterly, maturity etc.)
 3. Purpose of Deposit (Hajj, Umra etc.)
 4. Type of customer (pensioners, widows, corporate, individual etc.)
- Weightages are declared five days before start of each.
- As per policy of the Bank, no Hiba is given to any specific customer. However, Bank can reduce its own share of Bank's Additional Profit and can even reduce the weightage of its own equity in order to distribute the same to all Depositors as per their weightages.

Brief highlights of profit rate earned and distributed to Depositors and retained by IBG are as under:

	December 31, 2012	December 31, 2011
	-----Rupees-----	
Profit Rate Earned*	12.49%	14.65%
Profit Rate Distributed to Depositors	6.96%	6.80%

* Profit rate earned means the return on earning assets

Charging expenses

All types of administrative expenses are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses.

	Note	2012	2011
		Rupees in '000	
A-2 Islamic Financing and Related Assets			
Murabaha financings	A-2.1	1,565,590	1,460,491
Ijarah	A-2.2	825,861	825,257
Diminishing Musharika	A-2.3	859,150	820,174
		3,250,601	3,105,922
Less provision for Non-Performing Facilities		38,884	47,701
		3,211,717	3,058,221
A-2.1 Murabaha			
Murabaha Receivable		1,536,623	1,433,021
Inventories		28,967	27,470
		1,565,590	1,460,491
A-2.2 Ijarah			
Net Investment in Ijarah		53,879	184,212
Ijarah under IFAS-II		754,980	634,196
Advances		17,002	6,849
		825,861	825,257
A-2.3 Diminishing Musharaka			
Diminishing musharaka		859,150	820,174
		859,150	820,174

Annexure 'B'

To the Financial Statements as Referred to in Note 11.5.3
Statement Showing Written-off Loans or any other Financial Relief of Rs. 500,000 or above
Provided During the year ended 31 December 2012

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at the beginning of the year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10 +11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Tareen Traders Amin Street Main Bazar Haripur	Mst. Anwari Begum 13302-3793876-4	W/o Muhammad Amin Khan	5.000	2.683	-	7.683	-	2.658	0.577	3.235
2.	Malik Brothers & Co. Dab # 1, Mansehra	Abdul Wahid 13503-0673461-7	Muhammad Ishaq	1.273	1.423	-	2.696	-	1.423	-	1.423
3.	National Lamp Industry 44-B, Hayatabad Industrial Estate, Jamrod Road, Peshawar	1. Sadiq Ullah Jan 21201-5363186-5 2. Mashal Khan 129-53-378464	1. Haji Kandal Khan 2. Haji Zarnosh Khan	-	4.319	-	4.319	-	4.319	3.348	7.667
4.	Frontier Ceramic 29 – Industrial Estate, Jamrud Road, Peshawar	1. Omer Khalid 37405-382551-5 2. Sana Khalid 37405-0907925-2 3. Raja Ghazanfar Ali 37402-1487540-1 4. Zia Khalid 37405-9242808-5 5. Mrs. Shazia Khalid 37405-1265740-8 6. Pervez Aslam 35202-6946681-0	1. Nadeem Khalid 2. Nadeem Khalid 3. Raja Lal Khan 4. Javed Khalid 5. Javed Khalid 6. Muhammad Aslam	10.362	9.694	-	20.056	4.682	9.694	0.871	15.247
5.	Hmas Construction Ali Farm, Plot No. 11, H-913, Islamabad	1. Irfan-ul-Haq Alvi 61101-6822575-9 2. Mrs. Sardar Begum 61101-2249925-4 3. Mrs. Farah Irfan 61101-2268070-4	1. Mehmood-ul-Haq Alvi 2. W/o Mehmood-ul-Haq Alvi 3. W/o Irfan-ul-Haq Alvi	11.999	-	-	11.999	-	0.759	0.067	0.826
6.	Colony Sarhad Textile Mills Amangarh, G.T. Road, Nowshera	1. Mian Farooq A. Sheikh 210-24-017380 2. Mian Sohail Farooq Sheikh 210-51-017382 3. Mrs. Sadia Mohsin 4. Azam Jamil 5. Mrs. Shamseer Azam Jamil 6. Mian Rashid A. Musarat 7. Nadeem Inayat 8. Hassan Mahmood	1. Muhammad Ismail 2. Mian Farooq A Sheikh	6.572	1.236	-	7.808	6.572	1.236	-	7.808

Annexure 'B'

To the Financial Statements as Referred to in Note 11.5.3
Statement Showing Written-off Loans or any other Financial Relief of Rs. 500,000 or above
Provided During the year ended 31 December 2012

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at the beginning of the year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
7.	Airport Limousine Services ASF Headquarter Road, Shahrah-e-Faisal, Karachi	1. Muhammad Saleem 13503-6907712-9 2. Muhammad Javed 42201-0184092-3	1. Dur-e-Iman 2. Dur-e-Iman	11.304	2.142	-	13.446	-	5.869	-	5.869
8.	Elite Agencies 199B. Al-Miraj Khizar Park Ghari Shahu, Lahore.	1. Muhammad Akbar Butt 276-93-1822035	Muhammad Aslam	2.000	0.467	-	2.467	-	0.467	0.105	0.572
9.	4-S Foods 29/30, Small Industrial Estate, Jamrud Road, Peshawar	1. Sufi Bashir Ahmad Durrani 17301-1291138-1	1. Wazir Muhammad Durrani	4.000	0.073	-	4.073	-	0.055	0.55	0.605
				52.51	22.037	-	74.547	11.254	26.48	5.518	43.252

This annexure does not contain Fiscal Relief to the borrowers in pursuance of Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhtunkwa, Federally Administered Tribal Area (FATA) and Provincially Administered Tribal Area (PATA).

Annexure 'C'

To the Financial Statements as Referred to in Note 10.4

1. Particulars of investments held in ordinary shares of listed companies	2012	2011	2012	2011
 Number of shares		Cost Rupees in '000	
Available for sale				
Abbott Laboratories Pakistan Limited	-	56,986	-	5,691
Accord Textile Limited	10,391	10,391	-	-
Adamjee Floorings Limited	1,300	1,300	-	-
Adamjee Industries	26	26	-	-
Adamjee Paper and Board Mills Limited	6,100	6,100	-	-
Adil Polypropylene Limited	3,800	3,800	-	-
Afsar Textile Mills Limited	1,400	1,400	-	-
Akzo Nobel Pakistan Ltd.	13,420	-	2,005	-
Al-Abbas Sugar Mills Limited	-	32,698	-	3,123
Al-Husaniy Industries Limited	1,300	1,300	-	-
Alif Textile Mills Limited	7,500	7,500	-	-
Al-Qaim Textile Mills Limited	8,000	8,000	-	-
Apex Fabrics Limited	6,500	6,500	-	-
Arag Industries Limited	4,300	4,300	-	-
Asim Textile Mills Limited	26,500	26,500	-	-
Askari Bank Limited	350,000	-	5,536	-
Aswan Tentage and Canvas Mills Limited	3,700	3,700	-	-
Attock Petroleum Limited	-	35,000	-	14,298
Attock Refinery Limited	-	-	-	-
Awan Textile Mills Limited	5,300	5,300	-	-
Ayaz Textile Mills Limited	5,000	5,000	-	-
Bahawalpur Textile Mills Limited	1,000	1,000	-	-
Baluchistan Foundry Limited	1,600	1,600	-	-
Baluchistan Particle Board Limited	17,129	17,129	-	-
Bank Alfalah Limited	-	510,000	-	5,639
Bank Alhabib Limited	2,000,000	2,816,460	45,997	74,491
Bankers Equity Limited	66,707	66,707	-	-
Bela Engineering Limited	5,500	5,500	-	-
Business and Industrial Insurance Company Limited	500,000	500,000	5,000	5,000
Carvan East Fabrics Limited	948,700	948,700	9,487	9,487
Casspak Industries Limited	1,800	1,800	-	-
Central Cotton Mills Limited	700	700	-	-
Charsada Sugar Mills Limited	20	20	-	-
Chilya Corrugated Board Limited	900	900	-	-
Clariant Pakistan Limited	-	39,710	-	5,052
Colony Sarhad Textile Mills Limited	7,273	7,273	3	3
Crescent Knitwear Limited	1,500	1,500	-	-
Crescent Spinning Mills Limited	16,400	16,400	-	-
Crown Textile Mills Limited	7,200	7,200	-	-
D.G. Khan Cement Company Limited	-	213,559	-	5,336
Dadabhoy Leasing Company Limited	8,500	8,500	-	-
Dadabhoy Padube Limited	1,200	1,200	-	-
Data Agro Limited	2,400	2,400	-	-
Dawood Capital Management Limited	2,246,055	-	22,461	-
Dawood Equities Limited	3,750,000	-	37,500	-
Engro Fertilizers Limited	-	520,300	-	63,449
Fateh Industries Limited	600	600	-	-
Fateh Sports Wear Limited	1,000	1,000	-	-
Fateh Textile Mills Limited	-	33	-	12
Fauji Fertilizer Bin Qasim	350,000	-	13,692	-
Fauji Fertilizer Company Limited	189,999	20,000	21,560	3,191

Annexure 'C'

To the Financial Statements as Referred to in Note 10.4

	2012	2011	2012	2011
	Number of shares		Cost Rupees in '000	
Ferozsons Laboratories Limited	33,085	31,510	2,326	2,325
Fazal Vegetable Ghee Mills Ltd.	500	-	-	-
Ghafur Textile Mills Limited	1,000	1,000	-	-
GlaxoSmithKline Pak Limited	-	159,445	-	10,399
Globe Textile Mills Limited	1,458	1,458	23	23
Greaves Air conditioning Limited	1,300	1,300	-	-
Gypsum Corporation Limited	3,600	3,600	-	-
H. Sheikh M. Hussain Company Limited	2,516	2,516	-	-
Habib Bank Limited	300,000	190,070	33,572	21,206
Habib Metropolitan Bank Limited	1,600,000	1,600,051	33,807	33,808
Hafiz Textile Mills Limited	315	315	5	5
Hashmi Can Company Limited	3,800	3,800	-	-
Hinopak Motors Limited	11,665	-	1,580	-
Hub Power Company Limited	-	2,804,446	-	105,169
Hyderabad Electronic Industries Limited	2,300	2,300	-	-
ICI Pakistan Limited	26,689	50,110	3,987	7,486
Indus Dyeing Manufacturing Company Limited	-	828	-	161
Innovative Investment Bank Limited	807	807	-	-
International Industries Limited	201,101	201,101	9,834	9,834
Itti Textile Mills Limited	3,500	3,500	-	-
Johnson & Phillips Pakistan Limited	-	10,255	-	77
Junaid Cotton Mills Limited	1,000	1,000	-	-
Kaiser Art and Kraft Mills Limited	500	500	-	-
Karachi Pipe Mills Limited	3,400	3,400	-	-
Karim Cotton Mills Limited	2,550	2,550	-	-
Karim Silk Mills Limited	300	300	-	-
KASB Bank Limited	-	131	-	-
KASB Securities Limited	2,779,591	-	11,989	-
Kohinoor Looms Limited	3,500	3,500	-	-
Kot Addu Power Company Limited	-	269,500	-	11,616
Lafayette Industries Synthetics Limited	2,600	2,600	-	-
Lucky Cement	250,000	-	34,821	-
Linde Pakistan Limited	-	16,457	-	1,417
Lotte Pakistan PTA Limited	-	275,000	-	4,275
LTV Capital Modaraba	-	300	-	-
Marr Fabrics Limited	2,700	2,700	-	-
MCB Bank Limited	-	148,500	-	26,312
Medi Glass Limited	7,400	7,400	-	-
Mehr Dastagir Textile Mills Limited	1,200	1,200	-	-
Mehran Bank Limited	16,900	16,900	-	-
Mehran Jute Mills Limited	2,500	2,500	-	-
Mian Mohammed Sugar Mills Limited	4,000	4,000	-	-
Mohib Textile Mills Limited	3,500	3,500	-	-
Morafco Industries Limited	1,631	1,631	-	-
Mubarik Dairies Limited	1,000	1,000	-	-
National Bank of Pakistan	1,078,000	889,309	52,584	48,070
National Match Factory Limited	600	600	-	-
Naveed Textile Mills Limited	1,500	1,500	-	-
Nishat Mills Limited	-	429,187	-	22,825
Nishat Power Limited	120,000	120,000	1,974	1,974
Nowshera Engineering Company Limited	600	600	-	-
Nusrat Textile Mills Limited	6,900	6,900	-	-
Oil and Gas Development Company Limited	-	-	-	-
Packages Limited	-	70,000	-	7,503
Pak Electron Limited	-	2,173	-	34
Pak German Pre-Fabs Limited	1,500	1,500	-	-
Pak Ghee Industries Limited	1,300	1,300	-	-
Pak Suzuki Motor Company Limited	-	39,333	-	2,895
Pakistan Papersck Company Limited	2,450	2,450	-	-

Annexure 'C'

To the Financial Statements as Referred to in Note 10.4

	2012	2011	2012	2011
	Number of shares		Cost Rupees in '000	
Pakistan Petroleum Limited	312,500	176,440	56,665	34,740
Pakistan Refinery Limited	24,781	2,511	-	-
Pakistan Services Limited	18,544	18,744	3,142	3,175
Pakistan State Oil Company Limited	230,000	95,000	53,914	28,004
Pakistan Telecommunication Company Limited	-	973,278	-	12,520
Pakistan Tobacco Company Limited	36,081	3,728	-	-
Pan Islamic Steamship Company Limited	172	172	-	-
Pearl Fabrics Limited	5,200	5,200	-	-
Punjab Building Product Limited	10,298	10,298	-	-
Punjab Cotton Mills Limited	1,000	1,000	-	-
Punjab Lamps Works Limited	2,500	2,500	-	-
Qayyum Spinning Mills Limited	2,300	2,300	-	-
Quality Steel Works Limited	26	26	-	-
RCD Ball Bearing Limited	500	500	-	-
Redco Textiles Limited	17,700	17,700	-	-
Regal Ceramics Limited	2,600	2,600	-	-
Rex Barren Batteries Limited	1,200	1,200	-	-
Ruby Textile Mills Limited	-	13,991	-	154
Saif Nadeem Kawasaki Motors Limited	100	100	-	-
Saitex Spinning Mills Limited	8,400	8,400	-	-
Saleem Denim Industries Limited	3,600	3,600	-	-
Sardar Chemical Industries Limited	3,000	3,000	6	6
Schon Textiles Limited	5,800	5,800	-	-
Searle Pakistan Limited	31,900	22,786	1,292	1,292
Service Fabrics Limited	31,000	31,000	-	-
Service Industries Limited	38,537	10,476	-	-
Service Textile Industries Limited	3,800	3,800	-	-
Shahyar (O.E) Textile Mills Limited	1,700	1,700	-	-
Shahyar Textile Mills Limited	5,000	5,000	-	-
Shezan International Limited	-	25,285	-	2,677
Siemens Pakistan Engineering Company Limited	21,630	21,630	21,100	21,100
Siftaq International Limited	2,900	2,900	-	-
Sind Alkalis Limited	15,500	15,500	-	-
Sind Fine Textile Mills Limited	2,000	2,000	-	-
Sui Nothern Gas Pipelines Limited	82,500	157,500	2,238	4,272
Sunrise Textile Mills Limited	300	300	-	-
Sunshine Cloth Mills Limited	10,000	10,000	-	-
Sunshine Cotton Mills Limited	10,352	10,352	-	-
Suraj Ghee Industries Limited	1,459	1,459	-	-
Syed Match Company Limited	500	500	7	7
Syed Saigon Industries Limited	1,300	1,300	-	-
Taga Pakistan Limited	2,900	2,900	-	-
Taj Textile Mills Limited	32,363	32,363	12	12
Tariq Cotton Mills Limited	1,400	1,400	-	-
Tawakkal Garment Industries Limited	3,000	3,000	-	-
Tawakkal Limited	2,637	2,637	-	-
Tawakkal Modaraba 1st	11,200	11,200	-	-
Thal Limited	14,026	12,751	170	170
Treet Corporation Limited	51,877	51,877	427	427
Turbo Tubes Limited	4,000	4,000	-	-
Unicap Modaraba	7,500	7,500	-	-
United Bank Limited	450,000	91,000	33,994	5,612
Uqab Breeding Farms limited	3,400	3,400	-	-
Wyeth Pak Limited	2,557	-	2,690	-
Zafar Textile Mills Limited	1,550	1,550	-	-
Zahoor Cotton Mills Limited	10,500	10,500	-	-
Zahoor Textile Mills Limited	9,500	9,500	-	-
			542,112	626,352

Annexure 'C'

To the Financial Statements as Referred to in Note 10.4

Held for Trading	2012	2011	2012	2011
	Number of shares		Cost Rupees in '000	
Askari Bank Limited	507,000	-	8,442	-
Attock Refinery Limited	-	33,293	-	3,745
D.G. Khan Cement	36,500	30,000	1,941	646
Engro Foods Ltd	13,000	-	1,186	-
Fauji Fertilizer Bin Qasim	20,000	34,500	762	2,091
Fauji Fertilizer Company Limited	25,500	32,256	2,903	5,300
Glaxosmithkline Pakistan	7,000	-	518	-
Hub Power Company Limited	28,500	30,000	1,271	1,246
Kohat Cement Limited	15,000	-	1,024	-
Lucky Cement Limited	8,000	23,700	1,172	1,909
National Refinery Limited	-	45,895	-	15,869
Nishat Power Limited	-	50,000	-	762
Pakistan Oilfields Limited	-	54,500	-	19,904
Pakistan Petroleum Limited	9,950	8,500	1,737	1,577
Pakistan State Oil Company Limited	7,880	14,500	1,785	3,833
Pakistan Telecommunication Company Limited	95,000	52,405	1,697	630
Sui Southern Gas Company Limited	11,000	-	259	-
United Bank Limited	-	500	-	30
			24,697	57,544
			566,809	683,896

The paid-up value of each share in listed companies is Rs. 10 per share (2011: Rs. 10 per share).

As at December 31, 2012, the aggregate market value of listed shares is Rs. 523.517 million (2011: Rs. 594.904 million).

2. Particulars of investments held in ordinary shares of unlisted companies	2012	2011	2012	2011
	Number of shares		Cost Rupees in '000	
Al-Hamra Hills (Private) Limited	5,000,000	5,000,000	50,000	50,000
Asian Housing Finance Limited	500,000	500,000	5,000	5,000
Dawood Family Takaful Limited	11,250,000	-	112,500	-
Mohib Textile Mills Limited	1,190,500	1,190,500	25,000	25,000
Mohib Exports Limited	25,300	25,300	487	487
Industrial Development Bank of Pakistan	20	20	-	-
			192,987	80,487

The paid-up value of each share in unlisted companies is Rs. 10 per share (2011: Rs. 10 per share).

3. Particulars of investments held in ordinary shares of related parties:	2012	2011	2012	2011
	Number of shares		Cost Rupees in '000	
Listed shares				
Dawood Capital Management Limited	-	2,246,055	-	22,461
Dawood Equities Limited	-	3,750,000	-	37,500
			-	59,961
Unlisted shares				
Taurus Securities Limited	4,050,374	4,050,374	40,504	40,504
Dawood Family Takaful Limited	-	11,250,000	-	112,500
			40,504	153,004
Total			40,504	212,965

The paid-up value of each share in unlisted companies is Rs. 10 per share (2011: Rs. 10 per share).

Annexure 'C'

To the Financial Statements as Referred to in Note 10.4

4. Particulars of investments held in listed term finance certificates (TFC)

	Terms of Interest	Date of Maturity	2012	2011	2012	2011
			Number of shares / certificates held	Number of shares / certificates held	Cost Rupees in '000	Cost Rupees in '000
Available-for-sale						
Bank Alfalah Limited	6 months KIBOR + 150 BPS	23/Nov/12	-	7,744	-	25,745
Telecard Limited **	6 months KIBOR + 375 BPS	27/May/15	7,000	7,000	12,834	12,863
United Bank Limited	Fixed at 8.45%	10/Aug/12	-	14,000	-	46,550
United Bank Limited	6 months KIBOR + 85 BPS	14/Feb/16	9,000	9,000	44,919	44,937
Allied Bank Limited	6 months KIBOR + 190 BPS	12/Dec/14	14,000	14,000	69,832	69,860
NIB Bank Limited	6 months KIBOR + 115 BPS	5/Mar/16	13,000	13,000	62,484	61,583
Askari Bank Limited	6 months KIBOR + 250 BPS	18/Nov/19	30,000	30,000	149,820	149,880
Jahangir Siddiqui and Company Limited	6 months KIBOR + 250 BPS	21/May/12	-	10,000	-	24,955
Standard Chartered Bank Limited	6 months KIBOR + 200 BPS	1/Feb/13	4,742	4,742	5,928	16,578
Faysal Bank Limited	6 months KIBOR + 140 BPS	12/Nov/14	5,515	5,515	27,520	27,530
Engro Fertilizers Limited	6 months KIBOR + 155 BPS	30/Nov/15	46,845	46,845	231,899	231,451
Pak Arab Fertilizers Limited	6 months KIBOR + 150 BPS	28/Feb/13	5,170	5,170	7,755	19,129
Pace Pakistan Limited **	6 months KIBOR + 200 BPS	15/Feb/17	20,000	20,000	99,880	99,880
Saudi Pak Leasing **	Fixed at 3%	13/Mar/17	10,000	10,000	31,950	34,353
Orix Leasing	6 months KIBOR + 150 BPS	25/May/12	-	14,300	-	11,208
					<u>744,821</u>	<u>876,504</u>

The paid-up value of each TFC held is Rs. 5,000 per certificate (2011: Rs. 5,000 per certificate).

The market value of these listed TFCs amounted to Rs. 737.302 million as at December 31, 2012 (2011: Rs. 863.151 million).

** These have been classified as non performing.

5. Particulars of investments held in unlisted term finance certificates (TFCs)

	Terms of Interest	Date of Maturity	2012	2011	2012	2011
			Number certificates held	Number certificates held	Cost Rupees in '000	Cost Rupees in '000
Available-for-sale						
Dewan Farooq Spinning Mills Limited	Non-performing	Over Due	4,000	4,000	5,000	5,000
Avari Hotel Limited	1 year KIBOR + 250 BPS	30/Oct/14	75,000	75,000	318,428	318,428
Bank Al Habib Limited	Fixed at 15.5%	12/Jun/17	20,000	20,000	99,720	99,800
Bank Alfalah Limited	Fixed at 15%	2/Dec/17	38,000	38,000	189,772	189,847
Orix Leasing Pakistan Limited	6 months KIBOR + 150 BPS	15/Jan/13	250	250	4,166	12,500
Faysal Bank Limited	6 months KIBOR + 225 BPS	11/Oct/17	15,000	15,000	74,940	74,970
					<u>692,026</u>	<u>700,545</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2011: Rs. 5,000 per certificate) except for Orix leasing having face value of Rs. 100,000 (2011: Rs. 100,000).

6. Particulars of investments held in units of mutual funds

	2012	2011	2012	2011
	Number of units held	Number of units held	Cost Rupees in '000	Cost Rupees in '000
Held-for-trading				
Open-ended mutual funds				
Faysal Saving and Growth Fund	-	1,935,546	-	200,000
Faysal Money Market Fund	-	986,291	-	100,000
			<u>-</u>	<u>300,000</u>

Annexure 'C'

To the Financial Statements as Referred to in Note 10.4

	2012		2011	
	Number of units held	Cost Rupees in '000	Number of units held	Cost Rupees in '000
Available-for-sale				
Open-ended mutual funds				
ABL Cash Fund	-	-	19,427,850	200,000
ABL Income Fund	-	-	19,579,050	200,000
AKD Income Fund	1,561,202	77,757	2,049,342	102,069
Alfalalah GHP Value Fund *	-	-	176,642	5,000
Askari Islamic Income Fund	-	-	388,964	40,000
Askari Sovereign Cash Fund	-	-	4,425,163	450,988
Dawood Income Fund	4,194,990	290,237	4,056,495	300,000
Faysal Islamic Saving Growth Fund	-	-	672,430	70,000
Faysal Money Market Fund	-	-	-	-
First Habib Cash Fund	-	-	493,097	50,000
HBL Money Market Fund	-	-	3,885,445	400,000
IGI Income Fund	-	-	1,208,055	125,000
IGI Islamic Income Fund	-	-	487,159	50,000
IGI Money Market Fund	-	-	2,965,048	300,000
Lakson Money Market Fund	-	-	1,995,970	200,000
MCB Optimizer Cash Fund	-	-	1,952,107	200,000
Metro Bank Pakistan Sovereign Fund	2,003,064	100,000	-	-
Meezan Sovereign Fund	-	-	2,938,871	150,000
NAFA Government Securities	-	-	9,893,564	100,000
NAFA Money Market	4,984,349	50,000	-	-
NAFA Riba Free Saving Fund	-	-	3,912,669	40,000
Pak Oman Govt. Securities Fund	-	-	2,435,271	25,000
PICIC Cash Fund	-	-	997,120	100,000
PICIC Income Fund	-	-	966,804	100,000
UBL Govt. Securities Fund	-	-	1,465,003	150,000
UBL Islamic Saving Fund	-	-	954,414	100,000
		517,994		3,458,057
Closed-end mutual funds				
NAMCO Balanced Fund	7,572,470	68,673	7,416,719	68,673
Pak Oman Advantage Fund	5,000,000	50,000	5,000,000	50,000
		118,673		118,673
		636,667		3,876,730

The market value of these mutual funds amounts to Rs. 604.652 million as at December 31, 2012 (2011: Rs. 3,833.715 million).

* These are marked as strategic investments of the Bank.

7. Particulars of investments held in NIT units

	2012		2011	
	Number of units held	Cost (Rupees in '000)	Number of units held	Cost (Rupees in '000)
NIT units	-	-	2,703,723	54,246

The market value of NIT units amounts to nil (2011: Rs. 70.431 million).

8. Particulars of investments held in Sukuks

Terms of Interest	Date of Maturity	2012		2011		
		Number of shares / certificates held	Cost (Rupees in '000)	Number of shares / certificates held	Cost (Rupees in '000)	
Available for sale						
Security Leasing Corporation Limited	Fixed at 0%	19/Mar/14	10,000	10,000	15,375	18,229
House Building Finance Corporation	6 months KIBOR + 100 BPS	8/May/14	49,500	49,500	72,194	119,614
JDW Sugar Mills Limited	3 months KIBOR + 125 BPS	20/Jun/14	15,000	15,000	25,000	41,667
Quetta Textile Mill Ltd	6 months KIBOR + 150 BPS	27/Sep/15	20,000	20,000	80,000	90,000
Three Star Hoisery (Private) Limited	Non-performing	Over due	15,000	15,000	75,000	75,000
Liberty Power Tech Limited	3 months KIBOR + 300 BPS	Various dates latest by January 13, 2021	2,198,840	2,198,840	202,034	212,759
Al Razi Health Care (Private) Limited	3 months KIBOR + 250 BPS	4/Nov/17	10,000	10,000	50,000	50,000
Engro Fertilizers Limited	6 months KIBOR + 150 BPS	6/Sep/15	19,900	19,900	97,474	96,927
Engro Fertilizers Limited	6 month KIBOR+211 BPS	30/Jun/17	15,000	15,000	75,000	75,000
Ghani Glass Limited	3 month KIBOR + 175 BPS	27/Dec/17	30,000	-	150,000	-
				842,077	779,196	

		Date of Maturity	2012 Number of shares / certificates held	2011	2012 Cost (Rupees in '000)	2011
Held to maturity						
WAPDA (1)	6 months KIBOR + 35 BPS	22/Oct/12	-	15,000	-	75,000
WAPDA (2)	6 months KIBOR - 25 BPS	12/Jun/17	80,000	80,000	333,334	400,000
Orix Leasing Pakistan Limited	6 months KIBOR + 125 BPS	30/Jun/12	-	10,000	-	8,414
Sitara Energy Limited	6 months KIBOR + 115 BPS	15/May/13	10,000	10,000	17,614	21,136
House Building Finance Corporation	6 month KIBOR + 100 BPS	8/May/14	10,000	10,000	15,000	25,000
BRR Guardian Modarba	1 month KIBOR	7/Dec/16	20,000	20,000	94,688	98,438
JDW Sugar Mill Limited	3 months KIBOR + 125 BPS	20/Jun/14	10,000	10,000	16,665	27,778
					477,301	655,766
					1,319,378	1,434,961

The paid-up value of each Sukuk certificate held was Rs. 5,000 per certificate (2011: Rs. 5,000 per certificate).

Annexure 'D' to the Financial Statements as Referred to in Note 10.4

Quality of Available for Sale Securities

	2012			2011		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Book Value Rs in '000	Rating	Credit rating Agency
Government Securities						
Market Treasury Bills	22,471,057	Unrated	-	17,314,664	Unrated	-
Pakistan Investment Bonds	9,302,058	Unrated	-	3,470,959	Unrated	-
Government of Pakistan Ijarah Sukuks	8,570,818	Unrated	-	6,120,587	Unrated	-
National Investment Trust Units						
National Investment Trust (Unit) Limited				54,246	2-Star	PACRA
Ordinary shares in listed companies						
Abbot Laboratories Pakistan Limited	5,687	N/A	-			
Accord Textile Limited	4	N/A	-	4	N/A	-
Akzo Noble Pakistan Limited	1,161	N/A	-			
AL-Abbas Sugar Mills Limited				2,936	A	PACRA
AL-Qaim Textile Mills Limited	5	N/A	-	5	N/A	-
Asim Textile Mills Limited	246	N/A	-	34	N/A	-
Askari Bank Limited	6,027	AA	PACRA			
Attock Petroleum Limited				14,438	N/A	-
Attock Refinery Limited				-	AA	PACRA
Bank Alfalah Limited				5,738	AA	PACRA
Bank Al Habib Limited	63,460	AA+	PACRA	80,354	AA+	PACRA
Business & Industrial Insurance Company Carvan East Fabrics Ltd.						
Linde Pakistan Limited (BOC Pakistan Limited)				1,662	N/A	-
Clariant Pakistan Limited				5,917	N/A	-
colony serhad textile Mill Limited	16	N/A	-			
Data Agro Limited	17	N/A	-			
DG Khan Cement Company Limited				4,064	N/A	-
Dawood Capital Management Limited	6,648	AM3-	PACRA			
Dawood Equities Limited	8,812	N/A	-			
Engro Fertilizers Limited				48,232	AA-	PACRA
Fateh Textile Mills Limited				3	N/A	-
Fauji Fertilizer Bin Qasim Company Limited	13,506	N/A	-			
Fauji Fertilizer Company Limited	22,256	N/A	-	2,991	N/A	-
Ferozsons Laboratories Limited	2,650	N/A	-	2,584	N/A	-
GlaxoSmithKline Pak Limited				10,696	N/A	-
Globe Textile Mills Limited	12	N/A	-	14	N/A	-
Habib Bank Limited	35,343	AAA	JCR	20,163	AA+	JCR
Habib Metropolitan Bank Limited	30,160	AA+	PACRA	27,025	AA+	PACRA
Habib Sugar Mills Limited				-	N/A	-

Annexure 'D'

To the Financial Statements as Referred to in Note 10.4

	2012			2011		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Book Value Rs in '000	Rating	Credit rating Agency
Hafiz Textile Mills Limited	8	N/A	-	6	N/A	-
Hashmi Can Company Limited	31	N/A	-	31	N/A	-
Hinopak Motors Limited	1,023	N/A	-	-	N/A	-
Hub Power Company Limited				95,912	AA+	PACRA
I.C.I. Pakistan Limited	4,641	N/A	-	6,027	N/A	-
Indus Dyeing Manufacturing Company Limited				315	A	JCR
Innovative Investment Bank Limited	3	N/A	-	3	N/A	-
International Industries Limited	6,618	N/A	N/A	7,644	N/A	N/A
Johnson & Phillips (Pakistan) Limited				72	N/A	-
KASB Securities Limited	14,565	N/A	-	-	A-	PACRA
Kot Addu Power Co. Limited				11,136	AA+	JCR
Lucky Cement	37,885	N/A	-			
Lotte Pakistan PTA Limited				2,549	N/A	-
MCB Bank Limited				19,988	N/A	-
Mehr Dastagir Textile Limited	2	N/A	-			
Morafo Industries Limited	17	N/A	-	17	N/A	-
Mubarik Dairies Limited	1	N/A	-	1	N/A	-
National Bank of Pakistan	53,242	AAA	JCR	36,506	AAA	JCR
Nishat Mills Limited				17,361	AA-	PACRA
Nishat Power Limited	2,340	A+	PACRA	1,554	AA	PACRA
Oil and Gas Development Company Limited				-	N/A	JCR
Packages Limited				5,790	AA	PACRA
Pak Elektron Limited				8	D	PACRA
Pak Suzuki Motors				2,322	N/A	-
Pakistan Petroleum Limited	55,247	N/A	-	29,698	N/A	-
Pakistan Refinery Limited	1,717	N/A	-	-	N/A	-
Pakistan Services Limited	3,004	N/A	-	2,599	N/A	-
Pakistan State Oil Company Limited	53,408	AA+	PACRA	21,585	AA+	PACRA
Pakistan Telecommunication Company Limited				10,112	N/A	-
Pakistan Tobacco Company Limited	2,438	N/A	-	-	N/A	-
Redco Textile Limited	102	N/A	-	5	N/A	-
Ruby Textile Mills Limited				91	N/A	-
Saif Nadeem Kawasaki Motors Limited				-	N/A	-
Sardar Chemical Industries Limited	26	N/A	-	4	N/A	-
Sarhad Textile Mills Limited				16	N/A	-
Searle Pakistan Limited	1,372			1,027	BBB+	JCR
Service Industries Limited	6,436	N/A	-	-	N/A	-
Services Fabrics Limited	24	N/A	-	7	N/A	-
Services Textile Industries Limited	3	N/A	-	2	N/A	-
Shezan International Limited				2,783	N/A	-
Siemens Pakistan Engineering Co. Limited	16,756	N/A	-	22,858	N/A	-
Silk Bank Limited (Saudi Pak Commercial Bank)				-	A-	JCR
Sind Fine Textile Mill Limited	8	N/A	-			
Sui Northern Gas Pipelines Limited	1,918	AA	PACRA	2,474	AA	PACRA
Syed Match Company Limited	7	N/A	-	6	N/A	-
Taj Textile Mills Limited	13	N/A	-	8	N/A	-
Thal Limited	1,499	N/A	-	1,043	N/A	-
Treet Corporation Limited	3,405	N/A	-	2,021	N/A	-
Unicap Modaraba	11	N/A	-	2	N/A	-
United Bank Limited	37,651	AA+	JCR	4,767	AA+	JCR
Wyeth Pak Limited	2,442	N/A	-	-	N/A	-
Zahoor Cotton Mills Limited	3	N/A	-	3	N/A	-
Ordinary shares in unlisted companies						
Al-Hamra Hills (Private) Limited				50,000	N/A	-
Asian Housing Finance Limited				5,000	N/A	-
Dawood Family Takaful Limited	82,857	A-	PACRA			
Mohib Textile Mills Limited				25,000	N/A	-
Mohib Exports Limited	3	N/A	-	487	N/A	-
Industrial Development Bank of Pakistan				-	N/A	-
Ordinary shares in listed companies - related parties						
Dawood Capital Management Limited				1,460	AM3-	PACRA
Dawood Equities Limited				3,338	N/A	-
Ordinary shares in unlisted companies - related parties						
Dawood Family Takaful Limited	82,857	A-	PACRA	112,500	A-	PACRA
Taurus Securities Limited	40,503	N/A	-	40,504	N/A	-
Preference Shares						
First Dawood Investment Bank Limited				140,920	N/A	-
Trust Investment Bank Limited				75,000	N/A	-

Annexure 'D'

To the Financial Statements as Referred to in Note 10.4

	2011			2010		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Book Value Rs in '000	Rating	Credit rating Agency
Term Finance Certificates - Listed						
Allied Bank Limited	70,609	AA	JCR	70,637	AA-	JCR
Askari Bank Limited - 3rd issue	149,820	AA-	PACRA	149,880	AA-	PACRA
Bank Alfalah Limited - 4th issue				25,745	AA-	PACRA
Engro Fertilizers Limited - 2nd issue	228,076	A	PACRA	229,063	AA	PACRA
Faysal Bank Limited - 1st issue	27,864	AA-	PACRA	25,953	AA-	JCR
Grays Leasing Limited				-	-	-
Jahangir Siddiqui and Company Limited				24,955	AA	PACRA
NIB Bank Limited				63,615	A+	PACRA
Orix Leasing Pakistan Limited	65,052	A+	PACRA	11,847	AA+	PACRA
Pace Pakistan Limited	99,880	D	PACRA	99,880	D	PACRA
Pak Arab Fertilizer Limited	7,763	AA	JCR	19,129	AA	JCR
Power Holding Company				-	-	-
Saudi Pak Leasing Company Limited	26,073	D	JCR	28,034	D	JCR
Standard Chartered Bank Limited - 3rd issue	6,059	AAA	PACRA	16,972	AAA	PACRA
Telecard Limited *	10,258	D	JCR	10,281	D	JCR
Tracker (Private) Limited				-	N/A	PACRA
United Bank Limited - 1st issue				42,361	AA	JCR
United Bank Limited - 4th issue	45,855	AA	JCR	44,799	AA	JCR
Term Finance Certificates - Unlisted						
Avari Hotel Limited	318,427	A-	JCR	318,428	A-	JCR
Bank Alfalah Limited - IV issue	189,772	AA-	PACRA			
Bank AL Habib Limited	99,720	AA	PACRA	99,800	AA	PACRA
Bank Alfalah Limited - 2nd issue				189,848	AA-	PACRA
Dewan Farooq Spinning Mills Limited *	5,000	N/A	-	5,000	N/A	-
Faysal Bank Limited - 2nd issue	74,940	AA-	JCR	74,970	AA-	JCR
Orix Leasing Pakistan Limited (Privately Placed TFCs)	4,167	AA+	PACRA	12,500	AA+	PACRA
Open-ended mutual funds						
ABL Cash Fund				194,644	AA+(f)	JCR
ABL Income Fund				196,098	A+(f)	JCR
AKD Income Fund	75,095	BBB(f)	JCR	109,220	BBB(f)	JCR
Alfalsh GHP Value Fund				8,299	4-Star	PACRA
Askari Islamic Income Fund				39,221	N/A	-
Askari Sovereign Cash Fund				444,711	N/A	-
Dawood Income Fund	296,941	A+(f)	PACRA	395,950	2-Star	PACRA
Faysal Islamic Saving Growth Fund				69,892	A+(f)	JCR
Faysal Money Market Fund				-	-	-
First Habib Cash Fund				50,793	AA+(f)	JCR
HBL Money Market Fund				400,906	AA+(f)	JCR
IGI Income Fund				121,535	A+(f)	JCR
IGI Islamic Income Fund				49,350	N/A	-
IGI Money Market Fund				298,526	AA+(f)	JCR
Lakson Money Market Fund				201,549	N/A	-
Open-ended mutual funds (continued)						
MCB Cash Management Optimizer Fund				200,844	N/A	-
Meezan Sovereign Fund				147,884	AA+(f)	JCR
Metro Bank Pakistan Sovereign Fund	100,434	AA(f)	PACRA			
NAFA Money Market Fund	50,012	AA(f)	PACRA			
NAFA Govt. Securities Liquid Fund				100,737	N/A	-
Nafa Riba Free Saving Fund				40,000	N/A	-
Pak Oman Govt. Securities Fund				24,917	N/A	-
PICIC Cash Fund				100,104	AA+(f)	JCR
PICIC Income Fund				97,522	A+(f)	JCR
UBL Govt. Securities Fund				147,033	N/A	-
United Islamic Saving Fund				101,170	AA-(f)	JCR
Closed-end mutual funds						
NAMCO Fund	35,969	A-(f)	JCR	83,537	A(f)	JCR
Pak Oman Advantage Fund	46,200	A+(f)	PACRA	46,100	N/A	-
Sukuk certificates						
Al Razi Health Care (Private) Limited	50,000	N/A	-	50,000	N/A	-
Engro Fertilizers Limited	172,473	N/A	-	171,927	N/A	-
Ghani Glass Limited	150,000	N/A	-			
House Building Finance Corporation	72,194	N/A	-	119,614	A	JCR
JDW Sugar Mills Limited	25,000	N/A	-	41,667	A	JCR
Liberty Power Tech Limited	202,033	A+	PACRA	212,759	AA	PACRA
Quetta Textile Mills Limited	80,000	N/A	-	90,000	BBB+	JCR
Security Leasing Corporation Limited	15,375	N/A	-	18,229	N/A	-
Three Star Hosiery Limited	75,000	N/A	-	75,000	N/A	-

Pattern of Shareholding

As of December 31, 2012

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
596	1	100	18324	0.0020
10183	101	500	1653862	0.1837
17704	501	1000	14480327	1.6085
3570	1001	5000	7189026	0.7985
279	5001	10000	1917803	0.2130
84	10001	15000	1048785	0.1165
41	15001	20000	693947	0.0771
30	20001	25000	651535	0.0724
12	25001	30000	337295	0.0375
5	30001	35000	165682	0.0184
5	35001	40000	183074	0.0203
4	40001	45000	171930	0.0191
6	45001	50000	293779	0.0326
6	50001	55000	316451	0.0352
2	55001	60000	116558	0.0129
3	60001	65000	186888	0.0208
3	65001	70000	204510	0.0227
2	70001	75000	144826	0.0161
1	75001	80000	76410	0.0085
2	80001	85000	165467	0.0184
2	105001	110000	218800	0.0243
1	120001	125000	123075	0.0137
1	135001	140000	137668	0.0153
1	140001	145000	141711	0.0157
1	160001	165000	164100	0.0182
1	215001	220000	218800	0.0243
1	250001	255000	250936	0.0279
1	480001	485000	484095	0.0538
1	545001	550000	547000	0.0608
1	965001	970000	967578	0.1075
1	1545001	1550000	1545890	0.1717
1	2095001	2100000	2097061	0.2329
1	3775001	3780000	3779985	0.4199

Pattern of Shareholding

As of December 31, 2012

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
1	21725001	21730000	21726401	2.4133
1	25010001	25015000	25013924	2.7785
1	25560001	25565000	25561620	2.8394
1	25770001	25775000	25773447	2.8629
1	25910001	25915000	25913387	2.8784
1	26110001	26115000	26114597	2.9008
1	77525001	77530000	77528621	8.6118
1	631935001	631940000	631936855	70.1948
<u>32560</u>		Company Total	<u>900262030</u>	<u>100.0000</u>

Category of Shareholders

As of 31/12/2012

	No of Shareholders	Share Held	Percentage
Directors, CEO & Children	3	43,760	0.01
Banks, DFI & NBFi	4	34,462	0.00
Insurance Companies	4	1,568,043	0.17
Modarabas & Mutual Funds	3	32,012	0.00
General Public (Local)	32,454	181,248,709	20.13
General Public (Foreign)	26	89,319	0.01
Others	64	81,528,885	9.06
Government of Khyber Pakhtunkhwa	1	631,936,855	70.20
Foreign Companies	1	3,779,985	0.42
	<u>32,560</u>	<u>900,262,030</u>	<u>100.00</u>

Shareholding of Directors, CEO & Children

Maqsood Ismail Ahmad	10,940
Asad Muhammad Iqbal	16,410
Javed Akhtar	16,410

Shareholding of Banks, DFI & NBFi

Pakistan Industrial & Commercial Leasing Ltd.	2,188
NIB Bank Ltd.	166
Pakistan Industrial & Comm. Leasing Ltd.	19,692
Escorts Investment Bank Ltd.	12,416

Shareholding of Insurance Companies

East West Insurance Company Ltd.	1,545,890
TPL Direct Insurance Ltd.	13,675
The Pakistan General Insurance Company Ltd.	2,735
Progressive Insurance Company Ltd.	5,743

Shareholding of Modaraba & Mutual Funds

Providence Modaraba Ltd.	1,665
Prudential Stocks Fund Ltd.	13,675
First Elite Capital Modaraba	16,672

Major Shareholders

Ismail Industries Ltd.	77,528,621
Government of Khyber Pakhtunkhwa	631,936,855

Related Parties

Taurus Securities Ltd.	4,050,374
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Branch Network

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Branch Email	Telephone Number	Fax Number	ATM
Province Khyber Pakhtunkhwa (42 Branches) (2 Sub-Branches) (3 Booths)								
1	Main Corporate Branch, Peshawar	Main Corporate Branch, 24-The Mall, Peshawar Cantt.	0001	Conventional	main@bok.com.pk	(091) 5278284, 5271758	091-5279791	Yes
2	University Road, Peshawar	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar	0002	Conventional	university@bok.com.pk	(091) 9216952, 9216951	091-9216959	Yes
3	Hayat Abad, Peshawar	Royal Plaza, Hayatabad Bara Market, Jamrud Road, Peshawar	0101	Islamic	hayatabad@bok.com.pk	(091) 5823711,	(091)5815194	Yes
4	G. T. Road, Peshawar	Ground floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar	0010	Conventional	gtrd@bok.com.pk	(091)2263409 to 414	091-2263411	Yes
5	Saddar Road, Peshawar	Opposite GPO, Near Green Hotel, Saddar Road, Peshawar Cantt.	0013	Conventional	saddard@bok.com.pk	(091) 5276485,	091-5277278	Yes
6	Civil Secretariat, Peshawar	Civil Secretariat, Peshawar	0015	Conventional	secretariate@bok.com.pk	(091)9211710	091-9212680	Yes
7	Khyber Bazar, Peshawar	Khyber Bazar, Peshawar	0016	Conventional	khyberbazar@bok.com.pk	(091) 2569174	091-2211170	-
8	Ashraf Road, Peshawar	Ashraf Road, Peshawar.	0025	Conventional	ashrafrd@bok.com.pk	(091)2553007, 2553989	091-2552497	Yes
9	Asamai Gate LRH Peshawar	Tariq Sultan Building, Asamai Gate, Lady Reading Hospital Road Peshawar	0119	Islamic	citybr@bok.com.pk	(091)2561511-13	091-251511	-
10	Jinnah Road, Abbottabad	Jinnah Road, Abbottabad	0113	Islamic	abbotabad@bok.com.pk	(0992)341431-2, (0992) 341444	0992-341430	Yes
11	Mansehra Branch	Main Bazar, Opposite GTS Stand Mansehra.	0117	Islamic	mansehra@bok.com.pk	(0997) 920181, 920183, 920184	0997-920182	Yes
12	Saidu Sharif Road Mingora	Makan Bagh. Saidu Sharif Road, Mingora.	0012	Conventional	mingora@bok.com.pk	(0946) 9240045-7	0946-9240046	Yes
13	Hattar Branch	Industrial Estate Hattar, Haripur	0014	Conventional	hattar@bok.com.pk	(0995) 617231,	0995-617631	Yes
14	Timergara Branch	Balambat Road, Timergara	0105	Islamic	timergara@bok.com.pk	(0945)9250232	0945-822690	-
15	Bannu Branch	Outside Lakki Gate Bannu	0103	Islamic	bannu@bok.com.pk	(0928)612202, 613394	(0928)621429	-
16	Haripur Branch	Shahrah-e-Hazara, Haripur.	0019	Conventional	haripur@bok.com.pk	(0995) 610728,	0995-611285	Yes
17	Hangu Branch	Opposite DCO Office, Main Bazar, Kohat Road Hangu	0107	Islamic	hangu@bok.com.pk	(0925) 620744,	0925-623744	-
18	Kohat Branch	Cantonment Plaza Bannu Road, Kohat	0003	Conventional	kohat@bok.com.pk	(0922) 9260146,	0922-9260156	Yes
19	Tank Branch	Adda Bazar, Tank	0106	Islamic	tank@bok.com.pk	(0963) 510068	0963-510400	-
20	Nowshera Branch	Saad Plaza, Saddar Road, Nowshera Cantt.	0104	Islamic	nowshera@bok.com.pk	(0923) 9220035,	0923-9220035	Yes
21	Mardan Branch	Opposite Cantonment Plaza, Shahra-e-Qazi Bashir, Mardan	0007	Conventional	mardan@bok.com.pk	(0937)9230505, 9230707, 874899	0937-9230606	Yes
22	Charsadda Branch	Main Bazar Charsadda Mardan Road, Charsadda	0111	Islamic	charsadda@bok.com.pk	(091)9220100-1	091-9220102	-
23	D. I. Khan Branch	Circular Road, D.I.Khan	0004	Conventional	dikhan@bok.com.pk	(0966)718098,	0966-718099	Yes
24	Ataliq Bazar Chitral	Ataliq Bazar, Chitral.	0011	Conventional	chitral@bok.com.pk	(0943)414567, 412473, 414511	0943-412220	-
25	Batkhela Branch	Near Government High School, Main Bazar, Batkhela	0108	Islamic	batkhela@bok.com.pk	(0932)-414851-3	0932-414854	-
26	Swabi Branch	Jamil Khan Market, Mardan Road, Swabi	0118	Islamic	swabi@bok.com.pk	(0938)222513	0938-222512	-
27	Bank Square Havelian	Property # 4242, Bank Square Havelian	0040	Conventional	havelian@bok.com.pk	(0992) 810733, 810732	0992-810736	-
28	Upper Dir Branch	Main Bazar, Upper Dir	0126	Islamic	upperdir@bok.com.pk	(0944)890021	0944-890022	-
29	Mansehra Road, Abbottabad	934-A, Mansehra Road, Abbottabad	0043	Conventional	abbottabad2@bok.com.pk	(0992)331913-5	0992-331916	-
30	Serai Naurang Branch	Khasra No 438, Sahibzada Kabir Plaza GT Road, Serai Naurang, Lakki Marwat	0127	Islamic	sarai.naurange@bok.com.pk	(0969)352963	0969-3520964	-

Branch Network

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Branch Email	Telephone Number	Fax Number	ATM
31	Hayat Abad Chowk Peshawar	Saif Shopping Mall, Hayatabad Chowk, Jamrud Road, Peshawar	0128	Islamic	Hayatabad.phase3@bok.com.pk	(091)5853283, 5853284	091-5853285	-
32	Main Bazar Thall	Al-Murtaza Market, Bannu Chowk, Main Bazar Thall District Hangu	0130	Islamic	thall@bok.com.pk	(0925) 510741, 511740, 511741	(0925)510740	-
33	Tank Adda, Dera Ismail Khan	Shop No.01-10, Block 13, Tank Adda, Dera Ismail Khan	0129	Islamic	dikhan.islamic@bok.com.pk	(0966)850724,(0966)850725, (0966)715531	(0966)850727	-
34	Swari Branch (Buner)	Nisar Market, Pir Paba Road, Swari, Buner	0131	Islamic	sowari.buner@bok.com.pk	(0939)555279,(0939)555289, (0939)555249	0939-555289	-
35	Shahrah-e-Resham, Mansehra	Shahrah-e-Resham, Opposite Petroleum Filling Stations Mansehra	0122	Islamic	mansehra.sub@bok.com.pk	(0997)303271, 303273	0977-303271	-
36	High Court Branch	High Court Branch Peshawar	0048	Conventional	high.court@bok.com.pk	(091)5274368	091-5274168	Yes
37	KTH Branch	Khyber Teaching Hospital (University Road) Peshawar	0121	Islamic	pew9@bok.com.pk	(091)9218016,	091-9218016	-
38	Karak Branch	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak	0049	Conventional	karak@bok.com.pk	(0927) 211810-12	0927-211813	-
39	Mingora Branch	Shop No. 01, Bank Square, Main Bazar, Mingora, Swat.	0132	Islamic	mingora2@bok.com.pk	(0946)9240460,	0946-9240461	-
40	Batagram	Khasra No.3149/971, Haji Nazir Plaza, Shahrah-e-Qaraqurum, Batagram	0134	Islamic	battagram@bok.com.pk	(0997)310155, 310154	0997-310156	-
41	Topi Branch	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	0135	Islamic	topi@bok.com.pk	(0938) 271546, 271548	0938-271547	-
42	Dargai Branch	Amin Plaza, Main Bazar, Dargai.	0136	Islamic	dargai@bok.com.pk	(0932) 331447, 331448	0936-331449	-
i	Sub-Branch North West Hospital Pesh.	North West Hospital Phase-V, Hayatabad Peshawar	-	Conventional	north.west@bok.com.pk	091-5822614-9 (Ext – 1950)	-	Yes
ii	Sub-Branch Provincial Assembly Pesh.	Provincial Assembly, Khyber Pakhtunkhwa, Peshawar	-	Conventional	-	091-5270592	-	Yes
a	Booth Hazara University	Hazara University Dadhial, Mansehra	-	Islamic	-	0997-414016	-	-
b	Booth University of Science & Technology Bannu	University of Science & Technology, Mirshah Road, Bannu	-	Islamic	-	0928-621123 (Ext – 05)	-	-
c	Booth Lady Reading Hospital (LRH)	Cath Laboratory, Cardiology Unit, Government Lady Reading Hospital Peshawar	-	Conventional	-	-	-	-
FATA (1 Branch)								
43	Jamrud Road Branch	Adjacent Caltex Petrol Pump, Jamrud Bazar, Jamrud (Khyber Agency)	0125	Islamic	jamrud@bok.com.pk	(091)5830147, (091)5830148	091-5830149	-
Province Sindh (8 Branches)								
44	Shahrah-e-Faisal Karachi	White House Plaza, 15-A, Block-6, P.E.C.H.S , Opposite Fortune Centre, Shahrah-e-Faisal, Karachi.	0024	Conventional	karachi1@bok.com.pk	(021) 34389031-3	021-34389039	Yes
45	SITE Branch, Karachi	B-78, Allied Plaza Estate Avenue, S.I.T.E , Karachi	0109	Islamic	karachi3@bok.com.pk	(021)-2565102-4, 2570832, 2550211	021-32565105	Yes
46	Sohrab Goth Karachi	Shops No.A-7/A, A-7/B, A-8/A, A-8/B, Ground Floor, Block "A" Plot No.1-B-2, Sub Plot No.1-A, A1 Azam Plaza Scheme 33, Sohrab Goth, Super Market, Main Super Highway Karachi	0110	Islamic	karachi4@bok.com.pk	(021) 36830070, 36830072.	021-36830067	-
47	Shireen Jinnah Colony Karachi	Block-1, Clifton, Shireen Jinnah Colony Karachi	0034	Conventional	karachi5@bok.com.pk	(021)35873264-66	021-35873267	Yes
48	Karachi Stock Exchange Branch	1st Floor, Karachi Stock Exchange, Karachi	0036	Conventional	karachi6@bok.com.pk	(021)32465807, 32465804, 32465806	021-32465805	-
49	Hyderabad Branch	Plot No.112, New Truck Stand, Hala Naka, Main National Highway, Hyderabad.	0047	Conventional	hyderabad@bok.com.pk	(022)2032577, (022)20325-78, (022)2032579	022-2032580	-

Branch Network

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Branch Email	Telephone Number	Fax Number	ATM
50	Clifton Branch Karachi	Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi	0046	Conventional	clifton.karachi@bok.com.pk	(021)35296293	021-35296291	Yes
51	Metroville Karachi	KDA Scheme, Project No.1, Metroville, SITE, Karachi.	0123	Islamic	karachi.metroville@bok.com.pk	(021)36754233,(021)36754325	0213-6754236	-
Province Punjab (19 Branches)								
52	M.M. Alam Road, Lahore	Gulberg-III, M.M. Alam Road, Lahore	0023	Conventional	lahore@bok.com.pk	(042)-35785528-9	042-35785530	Yes
53	Davis Road, Lahore	Davis Hytes, Davis Road, Lahore	0114	Islamic	lahore2@bok.com.pk	(042) 36367407, (042) 111-95-95-95	042-36307079	-
54	Johar Town Lahore	Block -R-1, M.A. Johar Town, Lahore	0031	Conventional	lahore3@bok.com.pk	(042)35316744-45	042-35316746	Yes
55	Bank Road Rawalpindi	369/18 Zaman Center Opp. Singapore Plaza Bank Road, Rawalpindi	0115	Islamic	rawalpindi@bok.com.pk	(051)-5120194-7	051-5120198	Yes
56	City Saddar Road Rawalpindi	No.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0030	Conventional	rawalpindi2@bok.com.pk	(051)5540486	051-5540482	Yes
57	Multan Branch	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0033	Conventional	multan@bok.com.pk	(061)4545141-42	061-4545143	Yes
58	Sialkot Branch	Industrial Area, Shahabpura, Ugopi Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	sialkot@bok.com.pk	(052)3559225-27	052-3559224	Yes
59	Kotwali Road Faisalabad	Opposite M.C. College, Kotwali Road Faisalabad,	0116	Islamic	faisalabad@bok.com.pk	(041)-2412116-9	041-2412120	Yes
60	Sosaan Road Faisalabad	Plot No.245-C,Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad	0038	Conventional	faisalabad2@bok.com.pk	(041)- 8556201	041-8556203	-
61	G. T. Road, Gujrat	Property No.1157/527,Ground Floor, Empire Centre, G.T. Road Gujrat	0037	Conventional	gujrat@bok.com.pk	(0533)-525555	053-3520370	-
62	G.T. Road, Gujranwala	Property No.BXII-75-157, Bank Square, Main G. T. Road Gujranwala	0039	Conventional	gujranwala@bok.com.pk	(055)3730916-18, 3820917	055-3820918	-
63	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0041	Conventional	sargodha@bok.com.pk	(048)3740893, 3740894,3740895	048-3740891	-
64	Jhelum	225/226, Koh-i-Noor Plaza, Old GTS Road, Jhelum Cantt.	0042	Conventional	jhelum@bok.com.pk	(0544)9270163-64-66	0544-9270165	-
65	Chiniot	Khasra No.12104/9423, Ehsan Plaza, Shahrah-e-Quaid-e-Azam, Chiniot	0044	Conventional	chiniot@bok.com.pk	(047)6333393,6333394	047-6333397	-
66	Sahiwal Branch	272/B-2 High Street, Sahiwal.	0045	Conventional	sahiwal@bok.com.pk	(040)4222404,4222448	040-42220403	-
67	Shah Alam Gate Lahore	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	0124	Islamic	lahore4@bok.com.pk	042-37641834-6	0423-7641837	Yes
68	Bahawalpur	Property No.1605/15, Circular Road, Library Chowk, Bahawalpur	0050	Conventional	bahawalpur@bok.com.pk	(062) 2887531-35	062-2887532	-
69	Rahim Yar Khan	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	0051	Conventional	rahimyar.khan@bok.com.pk	(068)5870182, 5870183, 5870184	068-5870185	-
70	DHA Lahore	Plot No.178, Block-Y, DHA, Lahore Cantt.	0052	Conventional	dha@bok.com.pk	(042) 35741073-6	042-35741077	-
Province Balochistan (3 Branches)								
71	Jinnah Road, Quetta	Jinnah Road, Quetta.	0102	Islamic	quetta@bok.com.pk	(081) 2822141, 2843203	081-2829469	Yes
72	Chaman Branch	Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman	0120	Islamic	chaman@bok.com.pk	(0826)614027-28	0826-614014	-
73	Shahra-e-Iqbal Quetta	Shop No.2-7/35, Khyber Plaza, (Qandhari Bazar) Quetta	0054	Conventional	quetta2@bok.com.pk	(081) 2834951, 2834955	081-2834952	-
Capital Territory Area (2 Branches)								
74	Blue area, Islamabad	Zahoor Plaza, Blue Area, Islamabad.	0022	Conventional	islamabad@bok.com.pk	(051) 2824691,	051-2825434	Yes
75	Islamabad	Plot No.8. F-10 Markaz, Islamabad	0133	Islamic	islamabad2@bok.com.pk	(051)2222993-5, 2222997	051-222997	-
Azad Jammu Kashmir (2 Branches)								
76	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	0027	Conventional	muzaffarabad@bok.com.pk	(05822) 920492	05822-920499	-
77	Mirpur Branch	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir	0035	Conventional	mirpur@bok.com.pk	(05827) 447687	05827-447685	-

Foreign Correspondent Banks

AFGHANISTAN

HABIB BANK LIMITED

ARGENTINA

DEUTSCHE BANK SA
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

AUSTRALIA

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
MIZUHO CORPORATE BANK, LTD. SYDNEY BRANCH

AUSTRIA

INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), VIENNA
BRANCH, VIENNA
UNICREDIT BANK AUSTRIA AG

BAHRAIN

HABIB BANK LTD.
WOORI BANK, MANAMA
ARAB INVESTMENT COMPANY, THE
UNITED BANK LIMITED
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

BANGLADESH

WOORI BANK, DHAKA
SOCIAL ISLAMI BANK LIMITED

BELGIUM

THE BANK OF NEW YORK MELLON, BRUSSELS BRANCH
HABIB BANK LTD
FORTIS BANK S.A./N.V. BRUSSELS
COMMERZBANK AG, THE BRUSSELS BRANCH

BRAZIL

DEUTSCHE BANK S.A. - BANCO ALEMAO

CANADA

DEUTSCHE BANK AG, CANADA BRANCH
HABIB CANADIAN BANK

CAYMAN ISLAND

COMMERZBANK AG, CAYMAN ISLANDS BRANCH
DEUTSCHE BANK AG
DNB NOR BANK ASA, CAYMAN ISLAND BRANCH
NORDEA BANK FINLAND PLC

CHILE

DEUTSCHE BANK (CHILE) S.A.
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

CHINA

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED,
SHANGHAI BRANCH
INTESA SANPAOLO SPA SHANGHAI
BANK OF TOKYO-MITSUBISHI UFJ (CHINA), LTD.
UNICREDIT SPA-SHANGHAI BRANCH
CHINA CITIC BANK
COMMERZBANK AG
DNB NOR BANK ASA
EXPORT-IMPORT BANK OF CHINA, THE
WOORI BANK (CHINA) LIMITED
THE BANK OF NEW YORK MELLON, SHANGHAI BRANCH
JINAN CITY COMMERCIAL BANK
MIZUHO CORPORATE BANK (CHINA), LTD.
ZHEJIANG NANXUN RURAL COOPERATIVE BANK
WACHOVIA BANK, NA
JIANGSU WUJIN RURAL COMMERCIAL BANK CO., LTD
YANTAI CITY COMMERCIAL BANK
ZHEJIANG TAILONG COMMERCIAL BANK
THE BANK OF CHINA
ZHEJIANG XIAOSHAN RURAL COOPERATIVE BANK

COOK ISLANDS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.

CZECH REPUBLIC

UNICREDIT BANK CZECH REPUBLIC, A.S.
COMMERZBANK AG

DENMARK

DANSKE BANK A/S
DEUTSCHE BANK AG
DNB NOR BANK ASA, FILIAL DANMARK
NORDEA INVESTMENT MANAGEMENT A/S
SPAREKASSEN SJAELLAND

EGYPT

MASHREQ BANK

ESTONIA

NORDEA BANK FINLAND PLC ESTONIA BRANCH

FIJI

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

FINLAND

DANSKE BANK
DNB NOR BANK ASA, FILIAL FINLAND
NORDEA BANK FINLAND PLC

Foreign Correspondent Banks

FRANCE

BANCA INTESA FRANCE
 COMMERZBANK AG
 CREDIT MUTUEL
 HABIB BANK LIMITED
 MIZUHO CORPORATE BANK LTD. PARIS BRANCH (FORMERLY THE
 FUJI BANK LTD. PARIS BRANCH)
 UNION DE BANQUES ARABES ET FRANCAISES
 UNICREDITO ITALIANO SPA - SUCCURSALE DE PARIS

GERMANY

COMMERZBANK AG
 DNB NOR BANK ASA, FILIALE DEUTSCHLAND
 AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.
 FRANKFURT
 BANCO DE ANDALUCIA
 INTESA SANPAOLO S.P.A. -FRANKFURT
 BANCO DE ANDALUCIA
 DANSKE BANK
 DEUTSCHE BANK AG
 THE BANK OF NEW YORK MELLON, FRANKFURT BRANCH
 NORDEA BANK FINLAND PLC NIEDERLASSUNG DEUTSCHLAND
 NORDDEUTSCHE LANDESBANK GIROZENTRALE
 SHINHAN BANK EUROPE GMBH
 NORDEA BANK FINLAND PLC NIEDERLASSUNG DEUTSCHLAND

GREECE

INTESA SANPAOLO S.P.A.
 ATTICA BANK SA

HONG KONG

INTESA SANPAOLO SPA HONG KONG
 HABIB FINANCE INTERNATIONAL LIMITED
 WOORI BANK, HONG KONG
 THE BANK OF NEW YORK MELLON, HONG KONG BRANCH
 MIZUHO CORPORATE BANK LTD. HONG KONG BRANCH
 MASHREQBANK PSC., HONG KONG BRANCH
 UBAF (HONG KONG) LIMITED
 COMMERZBANK AG

HUNGARY

COMMERZBANK (BUDAPEST) RT.

INDIA

AMERICAN EXPRESS BANK LTD.
 MIZUHO CORPORATE BANK LTD
 BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 MASHREQ BANK

INDONESIA

ANZ PANIN BANK, P.T.
 BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 WOORI BANK, INDONESIA P.T. JAKARTA
 PAN INDONESIA BANK PT.

IRELAND

INTESA SANPAOLO BANK IRELAND PLC
 COMMERZBANK EUROPE (IRELAND)
 NATIONAL IRISH BANK (PART OF DANSKE BANK GROUP)

ITALY

BANCA CIS SPA
 INTESA SANPAOLO SPA
 COMMERZBANK AG
 UNIONE DI BANCHE ITALIANE S.C.P.A.(FORMERLY BANCA
 LOMBARDA E PIEMONTESE)
 UNICREDIT BANCA DI ROMA S.P.A.
 BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 BANCA DELL'ADRIATICO SPA
 BANCO DI NAPOLI SPA
 THE BANK OF NEW YORK(LUXEMBOURG) S.A., MILAN BRANCH
 MIZUHO CORPORATE BANK, LTD. MILAN BRANCH
 BANCA UBAE SPA
 UNICREDIT BANCA SPA
 UNICREDIT PRIVATE BANKING SPA
 UNICREDIT CORPORATE BANKING SPA
 UNICREDIT S.P.A.
 CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA SPA

JAPAN

AMERICAN EXPRESS BANK LTD
 INTESA SANPAOLO SPA TOKYO
 WOORI BANK, TOKYO
 THE BANK OF NEW YORK MELLON, TOKYO BRANCH
 MIZUHO CORPORATE BANK, LTD.
 NATIONAL BANK OF PAKISTAN TOKYO JAPAN
 WACHOVIA BANK, NA
 BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 COMMERZBANK AG TOKYO
 U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES TOKYO
 BRANCH

JORDAN

HSBC BANK MIDDLE EAST

KENYA

HABIB BANK LIMITED

Foreign Correspondent Banks

KOREA

KOOKMIN BANK
 WOORI BANK, SEOUL
 THE BANK OF NEW YORK MELLON, SEOUL BRANCH
 KOREA EXCHANGE BANK
 MIZUHO CORPORATE BANK, LTD., SEOUL BRANCH (FORMERLY THE DAHCHI KANGYO BANK, LTD., SEOUL BRANCH)
 NATIONAL BANK OF PAKISTAN, SEOUL BRANCH KOREA
 SUHYUP BANK (FORMERLY NATIONAL FEDERATION OF FISHERIES COOPERATIVES)
 WACHOVIA BANK, NA
 PUSAN BANK
 SHINHAN BANK
 HSBC BANK MIDDLE EAST
 AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
 BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES
 INDUSTRIAL BANK OF KOREA

KUWAIT

HSBC BANK MIDDLE EAST

KYRGYZSTAN

NATIONAL BANK OF PAKISTAN BISHKEK BRANCH

LATVIA

NORDEA BANK FINLAND PLC LATVIA BRANCH

LEBANON

HABIB BANK LIMITED

LITHUANIA

NORDEA BANK FINLAND PLC LITHUANIA BRANCH

LUXEMBOURG

AMERICAN EXPRESS FINANCIAL SERVICES (LUXEMBOURG) S.A.
 COMINVEST ASSET MANAGEMENT S.A.
 DANSKE BANK INTERNATIONAL S.A.
 BANK OF NEW YORK (LUXEMBOURG) S.A., THE
 COMMERZBANK AG
 NORDEA BANK S.A. LUXEMBOURG

MALAYSIA

CITIBANK BERHAD
 MIZUHO CORPORATE BANK, LTD., LABUAN BRANCH

MAURITIUS

BANK OF BARODA
 MAURITIUS COMMERCIAL BANK LTD., THE

MONACO

BANQUE J. SAFRA (MONACO)

NETHERLANDS

INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), AMSTERDAM BRANCH, AMSTERDAM
 COMMERZBANK AG
 HABIB BANK LTD.
 ING BANK N.V.

NEW ZEALAND

ANZ NATIONAL BANK LIMITED (FORMERLY KNOWN AS: ANZ BANKING GROUP (NEW ZEALAND) LTD)

NORWAY

FOKUS BANK, PART OF DANSKE BANK GROUP
 NORDEA BANK NORGE ASA
 DNB NOR BANK ASA

OMAN

BANK SOHAR
 HABIB BANK OMAN
 OMAN INTERNATIONAL BANK S.A.O.G.

PAPUA NEW GUINEA

AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LTD.

PHILIPPINES

MIZUHO CORPORATE BANK, LTD., MANILA BRANCH
 ASIAN DEVELOPMENT BANK
 AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
 BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

POLAND

DANSKE BANK A/S S.A. ODZIAL W POLSCE
 NORDEA BANK POLSKA S.A.

QATAR

DOHA BANK
 MASHREQ BANK
 UNITED BANK LIMITED, DOHA

ROMANIA

UNICREDIT TIRIAC BANK SA
 LA CAIXA, SUCURSALA ROMANIA

RUSSIA

WOORI BANK MOSCOW
 URALSIB-YUG BANK
 BANCA INTESA ZAO MOSCOW
 COMMERZBANK
 ZAO DANSKE BANK

SAMOA

ANZ BANK (SAMOA) LTD

Foreign Correspondent Banks

SAUDI ARABIA

NATIONAL COMMERCIAL BANK
SAUDI HOLLANDI BANK
NATIONAL BANK OF PAKISTAN
SAMPATH BANK PLC-COMPANY NO. PQ 144

SERBIA

UNICREDIT BANK SRBIJA A.D.

SINGAPORE

BANK MANDIRI (PERSERO) PT
INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), SINGAPORE BRANCH, SINGAPORE
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE COMMERZBANK AG, SINGAPORE BRANCH
DNB NOR BANK ASA, SINGAPORE BRANCH
HSH NORDBANK AG (FORMERLY HAMBURGISCHE LANDESBANK GIROZENTRALE SINGAPORE BRANCH)
WOORI BANK, SINGAPORE
THE BANK OF NEW YORK MELLON, SINGAPORE BRANCH
MIZUHO CORPORATE BANK LTD. SINGAPORE BRANCH
NORDEA BANK FINLAND PLC, SINGAPORE (FORMERLY MERITA BANK PLC, SINGAPORE)
SHINHAN BANK, SINGAPORE BRANCH
U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
HABIB BANK LIMITED

SLOVAKIA

COMMERZBANK AG

SLOVENIA

UNICREDIT BANKA SLOVENIJA D.D.

SOLOMON ISLANDS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

SOUTH AFRICA

HBZ BANK LIMITED

SPAIN

COMMERZBANK AG
CAIXA D'ESTALVIS I PENSIONES DE BARCELONA (LA CAIXA)-CAJA DE AHORROS Y PENSIONES DE BARCELONA
BANCO DE CREDITO BALEAR
BANCA DI ROMA, S.P.A. - SUCURSAL EN ESPANA
BANCO DE VASCONIA S.A.
BANCO DE CREDITO BALEAR
BANCO DE ANDALUCIA

INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), MADRID BRANCH, MADRID
CAJA DE AHORROS DE GALICIA
BANCO POPULAR ESPANOL, S.A.
BANCO DE VASCONIA S.A.

SRI LANKA

HABIB BANK LTD.
SAMPATH BANK PLC-COMPANY NO. PQ 144

SWEDEN

DANSKE BANK AS, SVERIGE FILIAL
SKANDIA KAPITALFORVALTRING AB
DNB NOR BANK ASA, FILIAL SVERIGE
NORDEA BANK AB (PUBL)

SWITZERLAND

BANQUE JACOB SAFRA (SUISSE) S.A.
HABIB BANK AG ZURICH
UNITED BANK A.G., ZURICH

TAIWAN

AMERICAN EXPRESS BANK LIMITED
THE BANK OF NEW YORK MELLON, TAIPEI BRANCH
MIZUHO CORPORATE BANK, LTD., TAIPEI BRANCH (FORMERLY THE DAI-ICHI KANGYO BANK, LTD., TAIPEI BRANCH)
WELLS FARGO BANK, N.A., TAIPEI BRANCH
BANK OF TOKYO-MITSUBISHI
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, TAIPEI BRANCH

THAILAND

MIZUHO CORPORATE BANK, LTD., BANGKOK BRANCH (FORMERLY THE DAI-ICHI KANGYO BANK, LTD., BANGKOK BRANCH)
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

TIMOR-LESTE

AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD

TONGA

ANZ BANKING GROUP LIMITED

TURKEY

HABIB BANK LTD.

UNITED ARAB EMIRATES

MASHREQBANK PSC.
HABIB BANK AG ZURICH
HABIB BANK LIMITED
UNITED BANK LTD.
HSBC BANK MIDDLE EAST LIMITED

Foreign Correspondent Banks

UNITED KINGDOM

JPMORGAN CHASE BANK, N.A.
 AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
 INTESA SANPAOLO SPA LONDON (FORMERLY BANCA INTESA S.P.A. LONDON)
 BANK J. SAFRA (GIBRALTAR) LIMITED, LONDON BRANCH
 COMMERZBANK AG
 NORTHERN BANK (PART OF DANSKE BANK GROUP)
 DANSKE BANK
 DNB NOR BANK ASA, LONDON BRANCH
 HABIB-UK PLC
 HABIB BANK AG ZURICH
 HABIBSONS BANK LIMITED
 WOORI BANK, LONDON
 THE BANK OF NEW YORK MELLON
 LLOYDS TSB BANK PLC.
 MIZUHO CORPORATE BANK, LTD. LONDON BRANCH
 MASHREQ BANK PSC
 UNITED NATIONAL BANK
 NORDEA BANK FINLAND PLC LONDON BRANCH
 WELLS FARGO BANK, N.A., LONDON BRANCH
 SHINHAN BANK LONDON BRANCH

UNITED STATES

AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.
 WOORI AMERICA BANK, NEW YORK
 WOORI BANK, LOS ANGELES
 AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.
 INTESA SANPAOLO SPA (FORMERLY BANCA INTESA SPA NEW YORK)
 DEUTSCHE BANK TRUST COMPANY AMERICAS
 BRANCH BANKING AND TRUST COMPANY
 JPMORGAN CHASE BANK, N.A.
 COMMERZBANK AG
 DEUTSCHE BANK AG
 DNB NOR BANK ASA, NEW YORK BRANCH
 DOHA BANK
 FIRST TENNESSEE BANK N.A.
 HABIB BANK LIMITED
 HABIB AMERICAN BANK
 WOORI BANK, NEW YORK
 WOORI AMERICA BANK, NEW YORK
 WOORI BANK, LOS ANGELES
 THE BANK OF NEW YORK MELLON
 METROBANK N.A.
 MIZUHO CORPORATE BANK LTD, NEW YORK BRANCH
 HSBC BANK USA, N.A.
 MASHREQBANK PSC., NEW YORK BRANCH
 NORDEA BANK FINLAND PLC, NEW YORK BRANCH
 WELLS FARGO BANK, N.A.
 WELLS FARGO BANK, N.A.
 WELLS FARGO BANK, N.A.
 WELLS FARGO BANK, N.A.
 RABOBANK NEDERLAND
 SCUDDER KEMPER INVESTMENTS, INC.
 GOLDEN BANK, NATIONAL ASSOCIATION (FORMERLY TEXAS FIRST NATIONAL BANK)
 UNITED BANK LTD.

VANUATU

ANZ BANK (VANUATU) LTD

VIETNAM

MIZUHO CORPORATE BANK LTD
 WOORI BANK, HANOI
 SHINHAN BANK, HO CHI MINH BRANCH
 AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Form of Proxy

Folio No. _____ CDC Participant Identity Card No. _____ CDC A/C No. _____

I/We _____ of _____ a member / members of The Bank of Khyber, and holder of _____ shares do hereby appoint _____ of _____ or failing him / her _____ of _____ who is also a member of the Company, vide Registered Folio No. _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 22nd Annual General Meeting of the Bank to be held on Friday March 29, 2013 at 10:00 am at The Bank of Khyber, Head Office, 24-The Mall. Peshawar Cantt. and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2013.



Dated:

Place:

The Signature should agree with the Specimen registered with the Bank

Notes

A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan/Provincial Government/State Bank of Pakistan/ Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs THK Associates (Pvt) Ltd. Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/Provincial Government/State Bank of Pakistan/Corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy to the Bank.



24, The Mall, Peshawar Cantt.



111 . 95 . 95 . 95



Call Centre (021) 111.265.265



info@bok.com.pk



www.bok.com.pk