

16 Statement of Impact of IAS-39 on SBP Financial Statements FY12

STATE BANK OF PAKISTAN STATEMENT OF IMPACT OF IAS 39 ON CONSOLIDATED FINANCIAL POSITION AS AT JUNE 30, 2012

Note	Under existing framework	Impact of application of IAS -39		After application of IAS-39
		Reclassifications	Remeasurements	
		(Rs. in '000)		
ASSETS				
Gold reserves held by the Bank	313,077,419	-	-	313,077,419
Local currency - coins	1,814,196	-	-	1,814,196
Foreign currency reserves	1,038,341,770	527,207	-	1,038,868,977
Earmarked foreign currency balances	4,994,808	-	-	4,994,808
Special Drawing Rights of the International Monetary Fund (IMF)	91,334,177	-	-	91,334,177
Reserve tranche with the IMF under quota arrangements	17,104	-	-	17,104
Securities purchased under agreements to resale	112,898,648	-	-	112,898,648
Current accounts of Governments	12,744,407	350,073	-	13,094,480
Investments 3	1,827,251,187	41,100	125,361,020	1,952,653,307
Loans, advances, bills of exchange and commercial papers 4	340,046,025	2,525,730	(75,793,585)	266,778,170
Assets held with the Reserve Bank of India 5	6,311,529	(6,311,529)	-	-
Balances due from Governments of India and Bangladesh (Former East Pakistan) 6	6,797,433	(6,797,433)	-	-
Property and equipment	23,450,893	-	-	23,450,893
Intangible assets	30,882	-	-	30,882
Other assets 3 & 4	6,024,442	(4,170,337)	-	1,854,105
Total assets	3,785,134,920	(13,835,189)	49,567,435	3,820,867,166
LIABILITIES				
Bank notes in circulation	1,776,962,388	-	-	1,776,962,388
Bills payable	587,542	-	-	587,542
Current accounts of the Governments	148,815,907	-	-	148,815,907
Securities sold under agreement to repurchase	12,240,388	-	-	12,240,388
Deposits of banks and financial institutions	396,172,467	-	-	396,172,467
Other deposits and accounts	153,534,625	270,679	-	153,805,304
Payable to the International Monetary Fund	656,185,305	1,394,116	-	657,579,421
Other liabilities 7	107,523,858	(15,499,984)	-	92,023,874
Deferred liability - staff retirement benefits	21,457,079	-	-	21,457,079
Endowment fund	67,281	-	-	67,281
Total liabilities	3,273,546,840	(13,835,189)	-	3,259,711,651
NET ASSETS	511,588,080	-	49,567,435	561,155,515
REPRESENTED BY				
Share capital	100,000	-	-	100,000
Reserves 4.2	175,944,238	-	(13,000,000)	162,944,238
Unappropriated profit 4.2	-	-	(62,793,585)	(62,793,585)
Unrealised appreciation on gold reserves	309,565,438	-	-	309,565,438
Surplus on revaluation of property and equipment	25,978,404	-	-	25,978,404
Surplus on revaluation of securities - AFS 3	-	-	125,361,020	125,361,020
TOTAL EQUITY	511,588,080	-	49,567,435	561,155,515

The annexed notes from 1 to 9 form an integral part of these statements.

Yaseen Anwar
Governor

Kazi Abdul Muktadir
Deputy Governor

Muhammad Haroon Rasheed
Executive Director

"This statement gives impact of IAS 39 on the Consolidated financial statements for the FY12 of the Bank. This statement was also examined by the Bank's auditors, M/s Ernst & Young Ford Rhodes Sidat Hyder and M/s KPMG Taseer Hadi & Co., and an exclusive opinion, for the use of the Bank, Federal Government and Multilateral Financial Organizations has been rendered by them and is available in Bank's record."

STATE BANK OF PAKISTAN
STATEMENT OF IMPACT OF IAS 39 ON CONSOLIDATED FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2012

	Under existing Framework	Impact of application of IAS -39		After application of IAS-39
		Reclassifications	Remeasurements	
		(Rs. in '000)		
Discount, interest / mark-up and / or return earned	236,276,844	-	-	236,276,844
Less: Interest / mark-up expense	(11,338,230)	-	-	(11,338,230)
	224,938,614	-	-	224,938,614
Commission income	1,952,783	-	-	1,952,783
Exchange gain - net	42,827,638	(42,827,638)	-	-
Net foreign exchange gain	-	42,838,099	-	42,838,099
Net (loss)/gain on financial instruments at fair value through profit and loss account	-	7,743,084	-	7,743,084
Dividend income	15,697,821	-	-	15,697,821
Other operating income - net	9,033,651	(7,753,545)	-	1,280,106
Other charges net	(123,761)	-	-	(123,761)
Total operating income	294,326,746	-	-	294,326,746
Less: Direct operating expenses				
Bank notes printing charges	5,689,829	-	-	5,689,829
Agency commission	5,953,743	-	-	5,953,743
General, administrative and other expenses	20,159,546	-	-	20,159,546
Provision for / (reversal of provision) against:				
- loans, advances and other assets	-	-	1,553,300	1,553,300
- claims	1,885,143	-	-	1,885,143
- diminution in value of investments	(59,212)	-	-	(59,212)
- other doubtful assets	(102,415)	-	-	(102,415)
	1,723,516	-	-	3,276,816
				-
PROFIT FOR THE YEAR	260,800,112	-	1,553,300	259,246,812

The annexed notes from 1 to 9 form an integral part of these statements.

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STATE BANK OF PAKISTAN
NOTES TO THE STATEMENTS OF IMPACT OF IAS 39 ON CONSOLIDATED
FINANCIAL POSITION AND CONSOLIDATED FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2012

1. BASIS OF PREPARATION

Statements of Impact of IAS 39: Financial Instruments: Recognition and Measurement (IAS 39) on the consolidated financial position and the consolidated financial performance (the Statements) of State Bank of Pakistan (the Bank) and its wholly owned subsidiaries SBP Banking Services Corporation (the Corporation) and National Institute of Banking and Finance (Guarantee) Limited (the Institute) have been prepared to analyse the impact of the application of IAS 39 on carrying values of asset, liabilities, equity and reserves of the Group as at 30 June 2012 and profit and loss of the Group for the year then ended as reported in consolidated financial statements. The figures in consolidated financial statements are reported in accordance with accounting framework adopted by the Central Board of the Bank i.e. IAS-1 to IAS-38 and policies for bank notes and coins, investments, gold reserves and transactions and balances with International Monetary Fund (IMF) as stated in notes 4.2, 4.3, 4.6 and 4.17 respectively to the consolidated financial statements. Separate audit opinion is issued on consolidated financial statements of the Group for the year ended 30 June 2012. These Statements are not complete financial statements and incorporate only the adjustments to analyse the impact of the application of IAS 39 on the financial position and performance of the Group and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2012.

2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these statements to appropriately reflect the impact of the application of IAS 39 requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of the application of IAS 39. Estimates and judgments are continually evaluated and are based on historical events.

3. INVESTMENTS

3.1 Remeasurement

	2012		
	Cost	Fair Value	Surplus on revaluation
Available for sale investments			
Investments in Shares of Banks and other financial institutions	-----	(Rs. in '000)	-----
- Listed			
National Bank of Pakistan	1,100,807	60,571,550	59,470,743
United Bank Limited	5,919,530	18,698,911	12,779,381
Allied Bank Limited	350,638	6,114,070	5,763,432
Habib Bank Limited	8,192,814	55,540,278	47,347,464
	<u>15,563,789</u>	<u>140,924,809</u>	<u>125,361,020</u>

This represents the remeasurement to fair value of the Group's strategic investments in listed shares at their quoted prices as at June 30, 2012. The remeasurement is the difference between the historical cost at which these investments are carried in the audited consolidated financial statements and fair values, as determined from the rates quoted at the Karachi Stock Exchange (KSE), of these shares amounting to Rs. 125,361 million (2011: Rs. 120,459 million). The resulting unrealised gain on remeasurement is taken to equity.

4. LOANS, ADVANCES, BILLS OF EXCHANGE AND COMMERCIAL PAPERS

4.1 Reclassification

This includes reclassification of accrued interest amounting to Rs. 3,027 million on loans to Governments, Government owned / controlled financial institutions, private sector financial institutions and employees from "Other Assets - accrued interest / mark-up, discount and return" to bring these loan at amortised cost.

The reclassification also includes provision for impairment of loans and advances to financial institutions in Bangladesh (former East Pakistan). Provision for these loans amounting to Rs. 501.749 million (2011: Rs. 565.218 million) is included in Other Liabilities - Provision for other doubtful assets in the audited consolidated financial statements.

4.2 Remeasurement

This represents provision for impairment on loans given by the Bank to the agriculture, industrial , export and housing sectors amounting to Rs. 75,794 million (2011: Rs. 74,240 million). Consequent effect of these provisions include charge in profit and loss account amounting to Rs. 75,794 million (2011: Rs. 74,240 million) uptill 30 June 2012 and reversal of appropriation from unappropriated profit to reserve fund amounting to Rs. 13,000 million (2011: Rs. 13,000 million).

5. ASSETS HELD WITH THE RESERVE BANK OF INDIA

This reclassification represents netting of Assets Held with Reserve Bank of India (RBI) amounting to Rs. 6,311 million (2011: Rs. 1,308 million) with related provision for impairment which is included in Other Liabilities - Provision for doubtful assets in the consolidated financial statements. The realisability of these assets is subject to final settlement between the Governments of Pakistan and India.

6. BALANCES DUE FROM THE GOVERNMENTS OF INDIA AND BANGLADESH (FORMER EAST PAKISTAN)

This reclassification represents netting of Balances due from Governments of India and Bangladesh amounting to Rs. 6,797 million (2011: Rs. 6,313 million) with related provision for impairment which is included in Provision for doubtful assets, Overdue markup and return and Others reported under Other liabilities in the consolidated financial statements. The realisability of these assets is subject to final settlement between the Governments of Pakistan, India and Bangladesh.

7. OTHER LIABILITIES

The reclassification mainly represents the provision for impairment and suspended markup against the assets held with Reserve Bank of India, balances due from the Governments of India and Bangladesh and loans and advances to financial institutions in Bangladesh amounting to Rs. 13,835 million (2011: Rs. 8,518 million) which have been reclassified to their respective accounts (Refer Notes 4 and 5).

8. DATE OF AUTHORISATION

These statements were authorised for issue on December 14, 2012 by the Central Board of the Bank.

9. GENERAL

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

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