

10 Unconsolidated Financial Statements of SBP

KPMG TASEER HADI & CO.

Chartered Accountants

Sheikh Sultan Trust Building No. 2

Beaumont Road

Karachi

A. F. FERGUSON & CO.

Chartered Accountants

State Life Building No. 1-C

I. I. Chundrigar Road

P.O. Box 4716

Karachi-74000

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying unconsolidated financial statements of the State Bank of Pakistan (the Bank), which comprise the unconsolidated balance sheet as at June 30, 2014, and the unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (here-in-after referred to as the unconsolidated financial statements).

Management's responsibility for the unconsolidated financial statements

Management of the Bank is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG TASEER HADI & CO.

Chartered Accountants

A. F. FERGUSON & CO.

Chartered Accountants

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of the Bank as at June 30, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Taseer Hadi & Co.

Chartered Accountants

Karachi

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Mohammad Mahmood Hussain

Audit Engagement Partner

Salman Hussain

Audit Engagement Partner

Date: October 30, 2014

STATE BANK OF PAKISTAN
UNCONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013	July 1, 2012
		------(Rupees in '000)-----		
ASSETS				
Gold reserves held by the Bank	5	269,307,930	246,096,839	313,077,419
Local currency - coins	6	417,880	924,997	1,814,196
Foreign currency accounts and investments	7	963,680,793	641,958,085	1,035,234,657
Earmarked foreign currency balances	8	7,453,502	3,849,637	4,994,808
Special Drawing Rights of the International Monetary Fund	9	82,057,077	85,246,487	91,334,177
Reserve tranche with the International Monetary Fund				
under quota arrangements	10	18,194	17,755	17,104
Securities purchased under agreement to resell	11	-	198,787,435	112,898,648
Current accounts of Governments	20.2	802,315	5,990,933	12,812,270
Current account with National Institute of Banking				
and Finance (Guarantee) Limited - a subsidiary		167,001	175,399	151,567
Investments - local	12	3,154,326,379	2,490,610,318	1,939,574,984
Securities given as collateral under repurchase agreements	12	18,064,500	-	12,993,000
Loans, advances and bills of exchange	13	297,974,259	328,590,310	333,384,878
Assets held with the Reserve Bank of India	14	5,866,879	5,460,117	6,536,007
Balances due from the Governments of India and				
Bangladesh (former East Pakistan)	15	7,957,658	7,397,038	6,875,933
Property and equipment	16	21,176,911	22,103,505	23,169,202
Intangible assets	17	8,927	16,241	30,882
Other assets	18	1,517,547	724,743	696,627
Total assets		4,830,797,752	4,037,949,839	3,895,596,359
LIABILITIES				
Bank notes in circulation	19	2,309,127,023	2,041,361,303	1,776,962,388
Bills payable		642,102	603,922	587,542
Current accounts of Governments	20.1	531,806,543	133,309,762	148,533,697
Current account with SBP Banking Services Corporation - a subsidiary		37,876,846	25,984,493	22,259,608
Securities sold under agreement to repurchase	21	17,194,695	-	12,243,686
Payable under bilateral currency swap agreement	22	105,248,797	81,614,727	-
Deposits of banks and financial institutions	23	530,746,356	475,647,801	396,172,467
Other deposits and accounts	24	145,409,982	155,842,256	154,022,021
Payable to the International Monetary Fund	25	384,994,742	431,794,003	657,579,421
Other liabilities	26	57,026,308	108,372,005	98,024,081
		4,120,073,394	3,454,530,272	3,266,384,911
Deferred liability - unfunded staff retirement benefits	27	21,918,201	19,014,999	16,467,350
Total liabilities		4,141,991,595	3,473,545,271	3,282,852,261
Net assets		688,806,157	564,404,568	612,744,098
REPRESENTED BY				
Share capital	28	100,000	100,000	100,000
Reserves	29	175,919,871	175,919,871	175,919,871
Loss on remeasurements of staff retirement defined benefit plans				
due to revision of IAS 19		-	(27,791,420)	(24,180,634)
Unrealised appreciation on gold reserves held by the Bank	30	265,639,648	242,568,983	309,565,438
Unrealised appreciation on remeasurement of investments - local	12.4	221,168,234	147,628,730	125,361,019
Surplus on revaluation of property and equipment		25,978,404	25,978,404	25,978,404
Total equity		688,806,157	564,404,568	612,744,098

CONTINGENCIES AND COMMITMENTS

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Pursuant to the requirements of section 26 (1) of SBP Act, 1956, the assets of the Bank specifically earmarked against the liabilities of the issue department have been detailed in note 19.1 to these financial statements.

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Kazi Abdul Muktedir
Deputy Governor

Noman Ahmed Qureshi
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
Discount, interest / mark-up and / or return earned	32	305,970,468	250,681,600
Less: interest / mark-up expense	33	(15,337,891)	(7,705,506)
		<u>290,632,577</u>	<u>242,976,094</u>
Commission income	34	1,727,194	1,758,625
Exchange gain - net	35	14,112,316	6,703,415
Dividend income		12,127,927	16,480,789
Other operating income / (loss) - net	36	28,502,353	(1,020,311)
Other income - net	37	200,130	277,359
		<u>347,302,497</u>	<u>267,175,971</u>
Less: Operating expenses			
- Bank notes printing charges	38	6,146,145	5,634,372
- Agency commission	39	6,463,352	6,344,354
- General administrative and other expenses	40	22,993,836	20,225,193
Provision for / (reversal of provision against):			
- loans and advances	13.4	-	(1,057,083)
- claims	26.3.2	1,489	(550,880)
- diminution in value of investments - local - net	12.3	(150,000)	677,892
- other doubtful assets	26.3.1.1	32,835	10,303
		<u>(115,676)</u>	<u>(919,768)</u>
		35,487,657	31,284,151
Profit for the year		<u><u>311,814,840</u></u>	<u><u>235,891,820</u></u>

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Kazi Abdul Muktedir
Deputy Governor

Noman Ahmed Qureshi
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	<i>Note</i>	2014	2013
		----- (Rupees in '000) -----	
Profit for the year		311,814,840	235,891,820
Other comprehensive income			
Items that may be reclassified subsequently to the profit and loss account:			
Unrealised appreciation on remeasurement of investments - local	<i>12.4</i>	73,539,504	22,267,711
Unrealised appreciation / (diminution) on gold reserves held by the Bank	<i>5</i>	23,070,665	(66,996,455)
		96,610,169	(44,728,744)
Items that will not be reclassified subsequently to the profit and loss account:			
Remeasurements of staff retirement defined benefit plans - SBP	<i>40.6.3.1</i>	(2,417,425)	(1,682,396)
Remeasurements of staff retirement defined benefit plans allocated by - SBP			
Banking Services Corporation - a subsidiary	<i>40.6.3.1</i>	(12,972,476)	(4,038,181)
		(15,389,901)	(5,720,577)
Total comprehensive income for the year		393,035,108	185,442,499

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Kazi Abdul Muktadir
Deputy Governor

Noman Ahmed Qureshi
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

Share capital	-----Reserves-----						Loss on remeasurements of staff retirement defined benefit plans due to revision of IAS 19	Unrealised appreciation on gold reserves held by the Bank	Unrealised appreciation on remeasurement of investments - local	Surplus on revaluation of property and equipment	Total	
	Reserve fund	Rural credit fund	Industrial credit fund	Export credit fund	Loans guarantee fund	Housing credit fund						
------(Rupees in '000)-----												
Balance as at July 1, 2012	100,000	164,619,871	2,600,000	1,600,000	1,500,000	900,000	4,700,000	(24,180,634)	309,565,438	125,361,019	25,978,404	612,744,098
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	235,891,820	-	-	-	235,891,820
Other comprehensive income												
Remeasurements of staff retirement defined benefit plans - SBP	-	-	-	-	-	-	-	(1,682,396)	-	-	-	(1,682,396)
Remeasurements of staff retirement defined benefit plans allocated by - SBP												
Banking Services Corporation - a subsidiary (note 40.6.3.1)	-	-	-	-	-	-	-	(4,038,181)	-	-	-	(4,038,181)
Unrealised appreciation on remeasurement of investments - local	-	-	-	-	-	-	-	-	-	22,267,711	-	22,267,711
Unrealised diminution on gold reserves held by the Bank	-	-	-	-	-	-	-	-	(66,996,455)	-	-	(66,996,455)
	-	-	-	-	-	-	-	230,171,243	(66,996,455)	22,267,711	-	185,442,499
Transactions with owners												
Dividend	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	(233,772,029)	-	-	-	(233,772,029)
	-	-	-	-	-	-	-	(233,782,029)	-	-	-	(233,782,029)
Balance as at June 30, 2013	100,000	164,619,871	2,600,000	1,600,000	1,500,000	900,000	4,700,000	(27,791,420)	242,568,983	147,628,730	25,978,404	564,404,568
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	311,814,840	-	-	-	311,814,840
Other comprehensive income												
Remeasurements of staff retirement defined benefit plans - SBP	-	-	-	-	-	-	-	(2,417,425)	-	-	-	(2,417,425)
Remeasurements of staff retirement defined benefit plans allocated by - SBP												
Banking Services Corporation - a subsidiary (note 40.6.3.1)	-	-	-	-	-	-	-	(12,972,476)	-	-	-	(12,972,476)
Unrealised appreciation on remeasurement of investments - local	-	-	-	-	-	-	-	-	-	73,539,504	-	73,539,504
Unrealised appreciation on gold reserves held by the Bank	-	-	-	-	-	-	-	-	23,070,665	-	-	23,070,665
	-	-	-	-	-	-	-	296,424,939	23,070,665	73,539,504	-	393,035,108
Transactions with owners												
Dividend	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	(268,623,519)	-	-	-	(268,623,519)
	-	-	-	-	-	-	-	(268,633,519)	-	-	-	(268,633,519)
Balance as at June 30, 2014	100,000	164,619,871	2,600,000	1,600,000	1,500,000	900,000	4,700,000	-	265,639,648	221,168,234	25,978,404	688,806,157

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Kazi Abdul Muktadir
Deputy Governor

Noman Ahmed Qureshi
Executive Director

STATE BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year after non-cash and other items	41	269,904,892	253,944,896
(Increase) / decrease in assets:			
Foreign currency investments and placements		(1,402,874)	(104,448,509)
Reserve tranche with the International Monetary Fund under quota arrangements		(439)	(651)
Securities purchased under agreement to resell		198,787,435	(85,888,787)
Current account of National Institute of Banking and Finance (Guarantee) Limited - a subsidiary		8,398	(23,832)
Investments - local		(596,096,088)	(529,504,728)
Securities given as collateral under repurchase agreement		(18,064,500)	12,993,000
Payment of retirement benefits and employees' compensated absences		(2,734,479)	(1,957,933)
Loans, advances and bills of exchange		30,616,051	5,851,651
Assets held with the Reserve Bank of India and balances due from Governments of India and Bangladesh (former East Pakistan)		(593,455)	(531,408)
Other assets		(792,804)	(28,116)
		<u>(390,272,755)</u>	<u>(703,539,313)</u>
		(120,367,863)	(449,594,417)
Increase / (decrease) in liabilities:			
Bank notes issued - net		267,765,720	264,398,915
Bills payable		38,180	16,380
Current accounts of Governments		403,544,973	(8,418,473)
Current account with SBP Banking Services Corporation - a subsidiary		(1,080,123)	(313,296)
Securities sold under agreement to repurchase		17,194,695	(12,243,686)
Payable under bilateral currency swap agreement		23,634,070	81,614,727
Deposits of banks and financial institutions		55,098,555	79,475,334
Other deposits and accounts		(10,432,274)	1,820,235
Other liabilities		5,808,261	(1,797,342)
		<u>761,572,057</u>	<u>404,552,794</u>
Net cash generated from / (used in) operating activities		641,204,194	(45,041,623)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		37,688,507	58,937
Dividend received		12,127,927	16,480,789
Capital expenditure		(505,804)	(322,851)
Proceeds from disposal of property and equipment		6,231	8,140
Net cash generated from investing activities		49,316,861	16,225,015
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to the Federal Government of Pakistan		(326,185,728)	(219,999,994)
Payments made to International Monetary Fund		(46,799,261)	(225,785,418)
Dividend paid		(10,000)	(10,000)
Net cash used in financing activities		(372,994,989)	(445,795,412)
Increase / (decrease) in cash and cash equivalents during the year		317,526,066	(474,612,020)
Cash and cash equivalents at the beginning of the year		626,864,789	1,132,711,931
Effect of exchange gain / (loss) on cash and cash equivalents		2,701,106	(31,235,122)
Cash and cash equivalents at the end of the year	42	<u>947,091,961</u>	<u>626,864,789</u>

The annexed notes from 1 to 50 form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra
Governor

Kazi Abdul Muktadir
Deputy Governor

Noman Ahmed Qureshi
Executive Director

STATE BANK OF PAKISTAN
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. STATUS AND NATURE OF OPERATIONS

1.1 State Bank of Pakistan ("the Bank") is the central bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. The Bank is primarily responsible for monitoring of credit and foreign exchange, management of currency and also acts as the banker to the Government. The activities of the Bank include:

- formulating and implementing the monetary policy;
- facilitation of free competition and stability in the financial system;
- licensing and supervision of banks including micro finance banks, development financial institutions and exchange companies;
- organisation and management of the inter-bank settlement system and promotion of smooth functioning of payment systems;
- providing of loans and advances to the Governments, banks, financial institutions and local authorities under various facilities;
- purchase, holding and sale of shares of banks and financial institutions on the directives of the Federal Government; and
- acting as depository of the Government under specific arrangements between the Government and certain institutions.

1.2 The head office of the Bank is situated at I.I.Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

1.3 These financial statements are unconsolidated (separate) financial statements of the Bank in which investments in subsidiaries are carried at cost. The consolidated financial statements of the Bank and its subsidiaries are presented separately.

2. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

These unconsolidated financial statements represent the first annual financial statements of the Bank prepared in accordance with IFRS. The Bank has adopted IFRS as the financial reporting framework in accordance with 'IFRS-1 First time Adoption of International Financial Reporting Standards'. The first date at which IFRS was applied was July 1, 2012 (i.e. "Transition date").

The Bank's unconsolidated financial statements were previously prepared in accordance with approved accounting standards as adopted by the Central Board of the Bank.

3. BASIS OF MEASUREMENT

3.1 These unconsolidated financial statements have been prepared under the historical cost convention, except that gold reserves, certain foreign currency accounts and investments, certain local investments and certain items of property as referred to in their respective notes have been included at revalued amounts and certain staff retirement benefits have been carried at present value of defined benefit obligations.

3.2 The unconsolidated financial statements ("the financial statements") are presented in Pakistani Rupees (PKR), which is the Bank's functional and presentation currency.

3.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of IFRS and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

3.3.1 *Impairment against loans and advances*

The Bank reviews its loan portfolio to assess recoverability of loans and advances and impairment allowance required there against on a continuous basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrower, quality of collateral and other relevant factors are considered. The amount of impairment may require adjustment in case borrowers do not perform according to the expectations.

3.3.2 *Impairment of available-for-sale investments*

The Bank determines that available-for-sale investments are impaired when there is a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in security 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.

3.3.3 *Retirement benefits*

The key actuarial assumptions concerning the valuation of defined benefit plans and the sources of estimation are disclosed in note 40.6.1 to these financial statements.

3.3.4 *Useful life and residual value of property and equipment*

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

3.4 *New and amended standards and interpretations that are not yet effective*

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these financial statements.

3.5 *Transition to International Financial Reporting Standards*

These unconsolidated financial statements represent the first annual financial statements of the Bank prepared in accordance with IFRS, as issued by the IASB. The Bank has adopted IFRS in accordance with 'IFRS-1 First-time Adoption of International Financial Reporting Standards'. The first date at which IFRS was applied was July 1, 2012 (i.e. Transition date). In accordance with IFRS-1 the Bank has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented; and
- retrospectively applied all effective IFRSs as at June 30, 2014, as required.

The reconciliation to IFRS from previous financial reporting framework (i.e. approved accounting standards as adopted by the Central Board of the Bank) on balance sheet, profit and loss account, statement of comprehensive income and statement of cash flows is given below:

3.5.1 Reconciliation of balance sheet:

	June 30, 2013			July 1, 2012				
	Adjustment			Adjustment				
	Previous financial reporting framework	IAS 19	Others	IFRS framework	Previous financial reporting framework	IAS 19	Others	IFRS framework
	------(Rupees in '000)-----							
ASSETS								
Gold reserves held by the Bank	246,096,839	-	-	246,096,839	313,077,419	-	-	313,077,419
Local currency - coins	924,997	-	-	924,997	1,814,196	-	-	1,814,196
Foreign currency accounts and investments	641,958,085	-	-	641,958,085	1,035,234,657	-	-	1,035,234,657
Earmarked foreign currency balances	3,849,637	-	-	3,849,637	4,994,808	-	-	4,994,808
Special Drawing Rights of the International Monetary Fund	85,246,487	-	-	85,246,487	91,334,177	-	-	91,334,177
Reserve tranche with the International Monetary Fund under quota arrangements	17,755	-	-	17,755	17,104	-	-	17,104
Securities purchased under agreement to resell	198,787,435	-	-	198,787,435	112,898,648	-	-	112,898,648
Current accounts of Governments *	5,932,762	-	58,171	5,990,933	12,744,407	-	67,863	12,812,270
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	175,399	-	-	175,399	151,567	-	-	151,567
Investments - local **	2,490,610,318	-	-	2,490,610,318	1,952,567,984	-	(12,993,000)	1,939,574,984
Securities given as collateral under repurchase agreements **	-	-	-	-	-	-	12,993,000	12,993,000
Loans, advances and bills of exchange *	324,754,379	-	3,835,931	328,590,310	328,995,962	-	4,388,916	333,384,878
Assets held with the Reserve Bank of India	5,460,117	-	-	5,460,117	6,536,007	-	-	6,536,007
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,397,038	-	-	7,397,038	6,875,933	-	-	6,875,933
Property and equipment	22,103,505	-	-	22,103,505	23,169,202	-	-	23,169,202
Intangible assets	16,241	-	-	16,241	30,882	-	-	30,882
Other assets *	4,701,569	-	(3,976,826)	724,743	5,435,616	-	(4,738,989)	696,627
Total assets	4,038,032,563	-	(82,724)	4,037,949,839	3,895,878,569	-	(282,210)	3,895,596,359
LIABILITIES								
Bank notes in circulation	2,041,361,303	-	-	2,041,361,303	1,776,962,388	-	-	1,776,962,388
Bills payable	603,922	-	-	603,922	587,542	-	-	587,542
Current accounts of Governments *	133,392,486	-	(82,724)	133,309,762	148,815,907	-	(282,210)	148,533,697
Current account with SBP Banking Services Corporation - a subsidiary (note 3.5.2)	8,475,848	17,508,645	-	25,984,493	7,453,254	14,806,354	-	22,259,608
Securities sold under agreement to repurchase ***	-	-	-	-	12,240,388	-	3,298	12,243,686
Payable under bilateral currency swap agreement	81,614,727	-	-	81,614,727	-	-	-	-
Deposits of banks and financial institutions	475,647,801	-	-	475,647,801	396,172,467	-	-	396,172,467
Other deposits and accounts ***	155,592,496	-	249,760	155,842,256	152,856,723	-	1,165,298	154,022,021
Payable to the International Monetary Fund ***	431,229,449	-	564,554	431,794,003	656,185,305	-	1,394,116	657,579,421
Other liabilities ***	109,186,319	-	(814,314)	108,372,005	100,586,793	-	(2,562,712)	98,024,081
	3,437,104,351	17,508,645	(82,724)	3,454,530,272	3,251,860,767	14,806,354	(282,210)	3,266,384,911
Deferred liability - unfunded staff retirement benefits (note 3.5.2)	8,732,224	10,282,775	-	19,014,999	7,093,070	9,374,280	-	16,467,350
Total liabilities	3,445,836,575	27,791,420	(82,724)	3,473,545,271	3,258,953,837	24,180,634	(282,210)	3,282,852,261
Net assets	592,195,988	(27,791,420)	-	564,404,568	636,924,732	(24,180,634)	-	612,744,098
REPRESENTED BY								
Share capital	100,000	-	-	100,000	100,000	-	-	100,000
Reserves	175,919,871	-	-	175,919,871	175,919,871	-	-	175,919,871
Loss on remeasurements of staff retirement defined benefit plans due to revision of IAS 19 (note 3.5.2)	-	(27,791,420)	-	(27,791,420)	-	(24,180,634)	-	(24,180,634)
Unrealised appreciation on gold reserves held by the Bank	242,568,983	-	-	242,568,983	309,565,438	-	-	309,565,438
Unrealised appreciation on remeasurement of investments - local	147,628,730	-	-	147,628,730	125,361,019	-	-	125,361,019
Surplus on revaluation of property and equipment	25,978,404	-	-	25,978,404	25,978,404	-	-	25,978,404
Total equity	592,195,988	(27,791,420)	-	564,404,568	636,924,732	(24,180,634)	-	612,744,098

Explanation:

- * In the previous financial reporting framework Rs. 3,976.826 million (2012: Rs 4,738.989 million) was represented in other assets as accrued mark-up income which has now been reclassified to loans, advances and bills of exchange and current accounts of governments in order to represent financial assets at amortised cost.
- ** In the previous financial reporting framework Rs. 12,993 million securities as at July 1, 2012 were represented in investments - local although held as collateral under repurchase agreement. In order to comply with IFRS these securities have now been reclassified separately as securities given as collateral under repurchase agreements.
- *** In the previous financial reporting framework Rs 814.314 million (2012: Rs 2,562.712 million) was represented in other liabilities as accrued mark-up expense which has now been reclassified to other deposits and account, securities sold under agreement to repurchase and payable to the international monetary fund so as to represent financial liabilities at amortised cost as required under IFRS.

3.5.2 Change in accounting policy

Employee future benefits

Under the previous financial reporting framework, the Bank was also using IAS 19 - for accounting of its employee benefits. This IAS has been revised and the revised standard became applicable during the year. As the Bank has applied IFRS as the financial reporting framework in the current year, the effects of this change in accounting policy are also required to be disclosed as part of transition to IFRS. The change in accounting policy and the related impacts are summarised as follows:

Actuarial gains and losses

Previous financial reporting framework: Actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employee to the extent of the greater of 10% of the present value of the defined benefit obligation (at the end of previous reporting period) and 10% of the fair value of plan assets (at the end of previous reporting period).

IFRS: The IFRS requires immediate recognition of past service costs and also requires recognition of net interest cost based on net defined benefit asset or liability by using the discount rate at the beginning of the year. Further, term remeasurement is used. This is made up of actuarial gains and losses and the difference between the actual investment returns and the returns implied by the net interest cost. The "remeasurements" are required to be recognised in the "balance sheet" immediately with the charge or credit to "other comprehensive income" in the periods in which they occur.

The effects on the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated statement of changes in equity are summarised below:

	June 30, 2013	July 1, 2012
	(Rupees in '000)	
Impact on unconsolidated balance sheet		
Increase in deferred liability - unfunded staff retirement benefits	10,282,775	9,374,280
Increase in current account with SBP Banking Services Corporation - a subsidiary	17,508,645	14,806,354
Loss on remeasurements of staff retirement defined benefit plans due to revision of IAS 19	(27,791,420)	(24,180,634)
	For the year ended June 30, 2013	For the year ended June 30, 2012
	(Rupees in '000)	
Impact on unconsolidated profit and loss account		
Decrease in general administrative and other expenses / Increase in profit	2,109,791	1,326,658
Impact on unconsolidated statement of comprehensive income		
Remeasurement of defined benefit plan - SBP	(1,682,396)	-
Remeasurement of defined benefit plan allocated by SBP-BSC	(4,038,181)	-
Impact on statement of changes in equity		
Decrease in retained earnings		
- Cumulative effect - prior years	(27,791,420)	(24,180,634)
- Impact for the year	(3,610,786)	-

3.5.3 Adjustments to other statements:

The transition from previous financial reporting framework (i.e. approved accounting standards as adopted by the Central Board of the Bank) to IFRS had no significant impact on the profit and loss account, statement of other comprehensive income, statement of changes in equity and statement of cash flows except for the effects as disclosed in note 3.5.2.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Bank notes and coins

The liability of the Bank towards bank notes issued as a legal tender under the State Bank of Pakistan Act, 1956, is stated at face value and is represented by the specified assets of the Issue Department of the Bank as per the requirements stipulated in the State Bank of Pakistan Act, 1956. The cost of printing of notes is charged to the profit and loss account as and when incurred. Any un-issued bank notes lying with the Bank are not reflected in the books of account.

The Bank also issues coins of various denominations on behalf of the Government of Pakistan (GOP). These coins are purchased from the GOP at their respective face values. The un-issued coins form part of the assets of the Issue Department.

4.2 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include local currency coins, foreign currency accounts and investments, investments - local, loans and advances, current account with subsidiaries, assets held with Reserve Bank of India (other than gold held by Reserve Bank of India), balances due from the governments of India and Bangladesh, notes in circulation, bills payable, deposits of banks and financial institutions, balances and securities under repurchase and reverse repurchase transactions, government accounts, balances with the IMF, payable under bilateral currency swap agreement, other deposits and accounts and other liabilities. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each financial instrument.

All financial assets and financial liabilities are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the profit and loss account.

The management determines the appropriate classification of its financial instruments at the time of initial recognition in the following categories:

4.2.1 Financial assets and financial liabilities at 'fair value through profit or loss'

These assets and liabilities are either acquired / assumed for generating a profit from short term fluctuations in market price, interest rate movements, dealer's margin or securities included in a portfolio in which a pattern of short term profit making exists. These are initially recognised at fair value and transaction costs associated with the instrument are taken directly to the profit and loss account. These instruments are subsequently re-measured at fair value. All related realised and unrealised gains and losses are recognised in the profit and loss account directly. Derivatives are also categorised as financial assets and financial liabilities at 'fair value through profit or loss'.

4.2.2 Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity. After initial measurement, held-to-maturity investment are subsequently measured at amortised cost using effective interest rate, less impairment losses, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The effective interest rate method is a method of calculating the amortised cost of a financial assets or financial liabilities and of allocating the interest income or interest expense over the relevant period in the profit and loss account. The losses arising from impairment of such investments are recognised in the profit and loss account.

4.2.3 Loans and receivables

These are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Subsequent to initial recognition, these assets are carried at amortised cost less impairment losses, if any, and premiums and / or discounts are accounted for using the effective interest method.

All loans and receivables are recognised when cash is advanced to borrowers. When a loan becomes uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited in the profit and loss account.

4.2.4 Available-for-sale financial assets

These are the non-derivative financial assets which are either designated in this category or which do not fall in any of the other categories. Subsequent to initial recognition, these securities are measured at fair value, except investments in those securities the fair value of which cannot be determined reliably and are stated at cost. Gain or loss on changes in fair value is taken to and kept in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, when cumulative gain or loss is re-classified to profit and loss account.

4.2.5 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include deposits from banks and financial institution, other deposits, securities sold under repurchase agreement, payable under bilateral currency swap agreement, payable to the IMF, notes in circulation and bills payable.

4.3 Derecognition of financial asset and financial liabilities

a) Financial assets

The Bank derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit and loss account.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the profit and loss account.

4.4 Fair value measurement principles

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices or dealer price quotation without any deduction for transaction costs. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arms length transaction, discounted cash flow analysis and other revaluation techniques commonly used by market participants. Investments in securities of which the fair value cannot be determined reliably are carried at cost.

4.5 Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred 'loss event') and that loss event (or events) has an impact on estimated future cash flow of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indication that the borrower or group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payment and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with defaults, if any.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial assets, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying value of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through profit and loss account.

b) Available - for - sale financial assets

For available-for-sale financial assets, the Bank assesses at each balance sheet date whether there is an objective evidence that an investment is impaired. In case of equity investment classified as available-for-sale, significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exist for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, is reclassified from other comprehensive income and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the income statement.

4.6 Offsetting

A financial asset and a financial liability are offset and the net amount is reported in the financial statements when the Bank has a legally enforceable right to set off the recognised amount and it intends either to settle on a net basis or to realise the asset and to settle the liability simultaneously.

4.7 Derivative financial instruments

The Bank uses derivative financial instruments which include forwards, futures and swaps. Derivatives are initially recorded at fair value and are re-measured to fair value on subsequent reporting dates. Forwards, futures and swaps are shown under commitments in note 31.2. The resultant gains or losses from derivatives are included in the profit and loss account.

4.8 Collateralised borrowing / lending

4.8.1 Reverse repurchase and repurchase agreements

Securities sold subject to a commitment to repurchase them at a pre-determined price, are retained on the balance sheet and a liability is recorded in respect of the consideration received as "Securities sold under agreement to repurchase". Conversely, securities purchased under analogous commitment to resell are not recognised on the balance sheet and an asset is recorded in respect of the consideration paid as "Securities purchased under agreement to resell". The difference between the sale and repurchase price in the repurchase transaction and the purchase price and resell price in reverse repurchase transaction represents expense and income respectively, and is recognised in the profit and loss account on time proportion basis. Both repurchase and reverse repurchase transactions are reported at transaction value inclusive of any accrued expense / income.

4.8.2 Bilateral currency swap agreements

Bilateral currency swap agreements with counterpart central banks involve the purchase / sale and subsequent resale / repurchase of local currencies of counterpart central banks against PKR at a specified exchange rate. The drawing by the counterpart, if any, is reported as commitments in note 31.2.1. The actual use of facility by the Bank / counterpart central bank in the agreement is recorded as borrowing / lending in books of the Bank and interest is charged / earned at agreed rates to the profit and loss account on time proportion basis from the date of actual use.

4.9 Gold reserves

Gold is recorded at the cost, which is the prevailing market rate, at initial recognition. Subsequent to initial measurement, it is revalued at the closing market rate fixed by the London Bullion Market Association on the last working day of the year (which is also as per the requirements of State Bank of Pakistan Act, 1956 and State Bank of Pakistan General Regulation No.42(vi)). Appreciation or diminution, if any, on revaluation is taken to equity under the head "unrealised appreciation on gold reserves". Appreciation / diminution realised on disposal of gold is taken to the profit and loss account. Unrealised appreciation / diminution on gold reserves held with the Reserve Bank of India is not recognised in the statement of changes in equity pending transfer of these assets to the Bank subject to final settlement between the Governments of Pakistan and India. Instead it is shown in "other liabilities" as provision for other doubtful assets.

4.10 Property and equipment

Property and equipment except land, buildings and capital work-in-progress (CWIP) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount. Leasehold land and buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. CWIP is stated at cost less accumulated impairment losses, if any and consists of expenditure incurred and advances made in respect of fixed assets in the course of their construction and installation. CWIP assets are capitalised to relevant asset category as and when work is completed.

Depreciation on property and equipment is charged to the profit and loss account using the straight-line method whereby the cost / revalued amount of an asset is written off over its estimated useful life at the rates specified in note 16.1 to these financial statements.

Estimates of useful life and residual value of property and equipment are based on the management's best estimate. The assets' residual value, depreciation method and useful life are reviewed, and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged to the profit and loss account from the month in which the asset is available for use while no depreciation is charged in the month in which the assets are deleted / disposed off. Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are included in the profit and loss account.

Increase in carrying amount arising on revaluation of land and buildings is credited to surplus on revaluation of property and equipment. Decreases that offset previous increases of the same assets are charged against surplus on revaluation of property and equipment in equity, while all other decreases are charged to the profit and loss account. The surplus on revaluation realised on sale of property and equipment is transferred to un-appropriated profit.

4.11 Intangibles

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised using straight-line method over the period of three years. Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

4.12 Impairment of non-financial assets

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. In assessing the value in use, estimated future cash flows is discounted to present value using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Impairment loss on revalued assets is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.13 Compensated absences

The Bank makes annual provision in respect of liability for employees' compensated absences based on actuarial estimates. The liability is estimated using the Projected Unit Credit Method.

4.14 Staff retirement benefits

The Bank operates:

- a) an unfunded contributory provident fund (old scheme) for those employees who joined the Bank prior to 1975 and opted to remain under the old scheme. The Bank provided an option to employees covered under old scheme to join the funded Employer Contributory Provident Fund Scheme - ECPF (new scheme) effective from June 1, 2007. Under this scheme, contribution is made both by the employer and employee at the rate of 6% of the monetized salary. Moreover, employees joining the Bank service after June 1, 2007 are covered under the new scheme.
- b) an unfunded General Provident Fund (GPF) scheme for all those employees who joined the Bank after 1975 and those employees who had joined prior to 1975 but opted for this scheme. Under this scheme contribution is made by the employee at the rate of 5% of the monetized salary.
- c) following are other staff retirement benefit schemes:
 - an unfunded gratuity scheme (old scheme) for all employees other than those who opted for the new general provident fund scheme, or joined the Bank after 1975 and are entitled only to pension scheme benefits;
 - a funded Employees Gratuity Fund (EGF) was introduced by the Bank effective from June 1, 2007 for all its employees other than those who opted for pension scheme or unfunded gratuity scheme (old scheme);
 - an unfunded pension scheme for those employees who joined the Bank after 1975 and before the introduction of EGF which is effective from June 1, 2007;
 - an unfunded benevolent fund scheme;
 - an unfunded post retirement medical benefit scheme; and
 - six months post retirement benefit facility.

Obligations for contributions to defined contribution provident plans are recognised as an expense in the profit and loss account as and when incurred.

Annual provisions are made by the Bank to cover the obligations arising under defined benefit schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected Unit Credit Method". The most recent valuation in this regard was carried out as at June 30, 2014. As more fully stated in note 3.5.2, the amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a change or credit to Other Comprehensive Income in which they occur.

The above staff retirement benefits are payable on completion of prescribed qualifying period of service.

4.15 Deferred income

Grants received on account of capital expenditure are recorded as deferred income. These are amortised over the useful life of the relevant asset.

4.16 Revenue recognition

- Discount, interest / mark-up and / or return on loans and advances and investments are recorded on time proportion basis that takes into account the effective yield on the asset. However, income on balances with Bangladesh (former East Pakistan), doubtful loans and advances and overdue return on investments is recognised on receipt basis.
- Commission income is recognised when related services are rendered.
- Dividend income is recognised when the Bank's right to receive dividend is established.
- Gains / losses on disposal of securities are recognised in the profit and loss account at trade date.
- All other revenues are recognised on a time proportion basis.

4.17 Finances under profit and loss sharing arrangements

The Bank provides various finances to financial institutions under profit and loss sharing arrangements. Share of profit / loss under these arrangements is recognised on an accrual basis.

4.18 Taxation

The income of the Bank is exempt from tax under section 49 of the State Bank of Pakistan Act, 1956.

4.19 Foreign currency translation

Transactions denominated in foreign currencies are translated to PKR at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into PKR at the closing rate of exchange prevailing at the balance sheet date.

Exchange gains and losses are taken to the profit and loss account except for certain exchange differences on balances with the International Monetary Fund, referred to in note 4.20, which are transferred to the Government of Pakistan account.

Exchange differences arising under Exchange Risk Coverage Scheme and on currency swap transactions are recognised in the profit and loss account on an accrual basis.

Commitments for outstanding foreign exchange forward and swap contracts disclosed in note 31.2 to the financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in PKR terms at the closing rate of exchange prevailing at the balance sheet date.

4.20 Transactions and balances with the International Monetary Fund

Transactions and balances with the International Monetary Fund (IMF) are recorded on following basis:

- the Government's contribution for quota with the IMF is recorded by the Bank as depository of the Government.
- exchange gains or losses arising on revaluation of borrowings from the IMF are recognised in the profit and loss account.
- the cumulative allocation of Special Drawing Rights (SDRs) by the IMF is recorded as a liability to non resident and is translated at closing exchange rate for SDRs prevailing at the balance sheet date. Exchange differences on translation of SDRs is recognised in the profit and loss account.
- service charge is recognised in the profit and loss account at the time of receipt of the IMF tranches.

All other income or charges pertaining to balances with the IMF are taken to the profit and loss account, including the following:

- charges on borrowings under credit schemes and fund facilities;
- charges on net cumulative allocation of SDRs;
- exchange gain or loss; and
- return on holdings of SDRs.

4.21 Provisions

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

4.22 Cash and cash equivalents

Cash and cash equivalents include cash, foreign currency accounts and investments (other than held to maturity investments), local currency coins, earmarked foreign currency balances, SDRs, balances in the current and deposit accounts and securities that are realisable in known amounts of cash within three months from the date of original investments and which are subject to insignificant changes in value.

	Note	Net content in troy	2014	2013	July 1, 2012
			-----	(Rupees in '000)	-----
5. GOLD RESERVES HELD BY THE BANK					
Opening balance		2,071,626	246,096,839	313,077,419	267,969,374
Additions during the year		1,122	140,426	15,875	145,604
Appreciation / (diminution) for the year due to revaluation	30		23,070,665	(66,996,455)	44,962,441
	19.1	<u>2,072,748</u>	<u>269,307,930</u>	<u>246,096,839</u>	<u>313,077,419</u>
6. LOCAL CURRENCY - COINS	Note				
Bank notes held by the Banking Department			110,890	143,300	160,156
Coins held as an asset of the Issue Department	6.1 & 19.1		<u>417,880</u>	<u>924,997</u>	<u>1,814,196</u>
			528,770	1,068,297	1,974,352
Less: bank notes held by the Banking Department	19		<u>(110,890)</u>	<u>(143,300)</u>	<u>(160,156)</u>
			<u>417,880</u>	<u>924,997</u>	<u>1,814,196</u>

6.1 As mentioned in note 4.1, the Bank is responsible for issuing coins of various denominations on behalf of the Government. This balance represents the face value of unissued coins held by the Bank at the year end (also refer note 19.1).

7. FOREIGN CURRENCY ACCOUNTS AND INVESTMENTS

They essentially represent foreign currency reserves held by the Bank, the details of which are as follows:

	Note	2014	2013	July 1, 2012
		-----	(Rupees in '000)	-----
At fair value through profit or loss - held-for-trading				
- Investments	7.1	170,981,568	284,636,358	288,832,726
- Unrealised gain / (loss) on derivative financial instruments	7.2	4,334,378	2,311,274	(3,839,654)
Held to maturity investment	7.3	105,806,667	104,421,331	-
Loans and receivables				
- Deposit accounts		29,599,275	31,715,899	95,991,183
- Current accounts		52,399,468	45,973,289	96,828,883
- Securities purchased under agreement to resell	7.4	269,904,526	80,295,659	197,465,169
- Money market placements	7.5	330,654,911	92,604,275	359,956,350
		<u>963,680,793</u>	<u>641,958,085</u>	<u>1,035,234,657</u>
The above foreign currency accounts and investments are held as follows:				
Issue Department	19.1	330,654,911	92,604,275	359,956,350
Banking Department		<u>633,025,882</u>	<u>549,353,810</u>	<u>675,278,307</u>
		<u>963,680,793</u>	<u>641,958,085</u>	<u>1,035,234,657</u>

7.1 These consist of investments made in:

- International markets through reputable Fund Managers. The activities of the Fund Managers are being monitored through a custodian. Market value of these investments as on June 30, 2014 is USD 1,948.24 millions (2013: USD 2,366.04 million).
- Short Term Investments Funds. Market value of these investments is nil (2013: USD 490 million).

7.2 This represents unrealised gain on foreign currency swaps, futures and forward contracts entered into with various counterparties.

7.3 This represents investment in sovereign bonds and treasury bills of a foreign country carrying yield ranging from 2.80% to 3.74% per annum and having maturities from July 04, 2014 to June 12, 2015 (2013: 2.62% to 5.70% per annum and having maturities from July 16, 2013 to June 4, 2014).

7.4 These represent lending under repurchase agreements and carry mark-up in USD at 0.07 % per annum and having maturities on July 01, 2014 (2013: 0.10% per annum and having maturities on July 1, 2013).

7.5 The balance includes money market placements carrying interest at various rates ranging between 0.04% to 2.81% per annum and having maturities from July 1, 2014 to September 30, 2014 (2013: 0.11% to 3.12% per annum and having maturities from July 1, 2013 to September 26, 2013).

8. EARMARKED FOREIGN CURRENCY BALANCES

These represent certain foreign currency balances held by the Bank to meet foreign currency commitments of the Bank.

9. SPECIAL DRAWING RIGHTS OF THE INTERNATIONAL MONETARY FUND

Special Drawing Rights (SDRs) are the foreign reserve assets which are allocated by the International Monetary Fund (IMF) to its member countries in proportion to their quota in the IMF. In addition, the member countries can purchase SDRs from the IMF and other member countries in order to settle their obligations. The figures given below represent the rupee value of the SDRs held by the Bank as at June 30, 2014. Interest is credited by the IMF on the SDR holding of the Bank at weekly interest rates on daily products of SDRs held during each quarter.

	Note	2014	2013	July 1, 2012
		----- (Rupees in '000) -----		
SDRs are held as follows:				
- By the Issue Department	19.1	7,625,850	7,437,650	7,146,000
- By the Banking Department		74,431,227	77,808,837	84,188,177
		<u>82,057,077</u>	<u>85,246,487</u>	<u>91,334,177</u>
10. RESERVE TRANCHE WITH THE INTERNATIONAL MONETARY FUND UNDER QUOTA ARRANGEMENTS				
Quota allocated by the International Monetary Fund		157,895,380	154,086,949	148,440,350
Liability under quota arrangements		(157,877,186)	(154,069,194)	(148,423,246)
		<u>18,194</u>	<u>17,755</u>	<u>17,104</u>
11. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL				
This represents lendings under repurchase agreements extended to various financial institutions. There is no outstanding balance as on June 30, 2014 (2013: 8.99% to 9.20% per annum, maturing on July 5, 2013). The securities collateralised with the Bank have fair value of nil as on June 30, 2014 (2013: Rs. 199,869 million).				
12. INVESTMENTS - LOCAL				
	Note	2014	2013	July 1, 2012
		----- (Rupees in '000) -----		
Loans and receivables originated by the Bank				
Government securities				
Market Related Treasury Bills (MRTBs)		2,933,834,857	2,319,633,169	1,803,121,441
Federal Government scrips		2,740,000	2,781,100	2,781,100
	12.1	<u>2,936,574,857</u>	<u>2,322,414,269</u>	<u>1,805,902,541</u>
Less: securities given as collateral under repurchase agreements		(18,064,500)	-	(12,993,000)
		<u>2,918,510,357</u>	<u>2,322,414,269</u>	<u>1,792,909,541</u>
Available - for - sale investments				
Investments in banks and other financial institutions				
Ordinary shares				
- Listed		230,812,492	163,192,519	140,924,808
- Unlisted		4,712,706	4,862,706	4,919,706
	12.2	<u>235,525,198</u>	<u>168,055,225</u>	<u>145,844,514</u>
Term Finance Certificates		84,722	84,722	127,082
Certificates of Deposits		33,705	33,705	50,558
		<u>235,643,625</u>	<u>168,173,652</u>	<u>146,022,154</u>
Provision against diminution in value of investments				
- local - net	12.3	(856,863)	(1,006,863)	(385,971)
		<u>234,786,762</u>	<u>167,166,789</u>	<u>145,636,183</u>
Investments in wholly owned subsidiaries				
SBP Banking Services Corporation		1,000,000	1,000,000	1,000,000
National Institute of Banking and Finance (Guarantee) Limited - NIBAF		29,260	29,260	29,260
		<u>1,029,260</u>	<u>1,029,260</u>	<u>1,029,260</u>
		<u>3,154,326,379</u>	<u>2,490,610,318</u>	<u>1,939,574,984</u>
The above investments are held as follows:				
Issue Department - MRTBs	19.1	1,695,364,463	1,688,902,225	1,088,514,072
Banking Department		1,458,961,916	801,708,093	851,060,912
		<u>3,154,326,379</u>	<u>2,490,610,318</u>	<u>1,939,574,984</u>
12.1 These represent investments guaranteed / issued by the Government. The profile of return on securities is as follows:				
		2014	2013	
		(% per annum)		
Market Related Treasury Bills		8.92 to 9.98	8.92 to 11.94	
Federal Government scrips		3	3	

MRTBs are created for a period of six months whereas Federal Government scrips are of perpetual nature.

12.2 Investments in shares of banks and other financial institutions (note 12.2.1)

	Note	2014	2013	July 1, 2012	2014	2013	July 1, 2012
			% of holding			(Rupees in '000)	
Listed							
- National Bank of Pakistan	12.2.2	75.20	75.20	75.20	99,558,400	65,785,656	60,571,550
- United Bank Limited	12.2.3	-	19.49	19.49	-	25,665,079	18,698,911
- Allied Bank Limited	12.2.4	10.07	10.07	10.07	15,839,242	7,182,365	6,114,070
- Habib Bank Limited	12.2.5	40.60	40.60	40.60	115,414,850	64,559,419	55,540,277
					<u>230,812,492</u>	<u>163,192,519</u>	<u>140,924,808</u>
Unlisted							
- Federal Bank for Cooperatives		-	75.00	75.00	-	150,000	150,000
Other investments with holding less than or equal to 50%					4,712,706	4,712,706	4,769,706
					<u>235,525,198</u>	<u>168,055,225</u>	<u>145,844,514</u>

12.2.1 Investments in above entities have been made under the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. The Bank neither exercises significant influence nor has control over these entities except for any regulatory purposes or control arising as a consequence of any statute which applies to the entire sector to which these entities belong. Accordingly, these entities have not been consolidated as subsidiaries or accounted for as investments in associates, or joint ventures.

12.2.2 Cost of the Bank's investment in the shares of National Bank of Pakistan at June 30, 2014 amounted to Rs. 1,100.8 million (2013: Rs. 1,100.8 million).

12.2.3 Cost of the Bank's investment in the shares of United Bank of Pakistan at June 30, 2014 is Nil (2013: Rs. 5,919.5 million).

12.2.4 Cost of the Bank's investment in the shares of Allied Bank Limited at June 30, 2014 amounted to Rs. 350.6 million (2013: Rs. 350.6 million).

12.2.5 Cost of the Bank's investment in the shares of Habib Bank Limited at June 30, 2014 amounted to Rs. 8,192.8 million (2013: Rs. 8,192.8 million).

	Note	2014	2013	July 1, 2012
			(Rupees in '000)	
12.3 Provision against diminution in value of investments - local - net				
Opening balance		1,006,863	385,971	445,183
Provision during the year		-	737,104	-
Reversal during the year	12.3.1	(150,000)	(59,212)	(59,212)
		(150,000)	677,892	(59,212)
Write-off during the year		-	(57,000)	-
Closing balance		<u>856,863</u>	<u>1,006,863</u>	<u>385,971</u>

12.3.1 This represents reversal of provision against equity investment in Federal Bank for Cooperatives on account of winding up proceeds.

		2014	2013	July 1, 2012
			(Rupees in '000)	
12.4 Unrealised appreciation on remeasurement of investments - local				
Opening balance		147,628,730	125,361,019	120,458,857
Surplus arising during the year		93,285,053	22,267,711	4,902,162
Surplus reclassified to the profit and loss account	12.4.1	(19,745,549)	-	-
		73,539,504	22,267,711	4,902,162
Closing balance		<u>221,168,234</u>	<u>147,628,730</u>	<u>125,361,019</u>

12.4.1 This represents amount of surplus reclassified to the profit and loss account as a result of disposal of shares of United Bank Limited. The gain arising on disposal of United Bank Limited shares amounted to Rs. 31,185.73 million.

		2014	2013	July 1, 2012
			(Rupees in '000)	
13. LOANS, ADVANCES AND BILLS OF EXCHANGE				
Governments	13.1	3,266,166	18,724,135	36,318,424
Government owned / controlled financial institutions	13.2	100,795,810	99,271,667	100,061,350
Private sector financial institutions	13.3	192,001,193	209,125,191	197,427,839
		292,797,003	308,396,858	297,489,189
Employees		7,251,915	6,810,142	5,975,173
		303,315,084	333,931,135	339,782,786
Provision against doubtful balances	13.4	(5,340,825)	(5,340,825)	(6,397,908)
		<u>297,974,259</u>	<u>328,590,310</u>	<u>333,384,878</u>

13.1 Loans and advances to the Governments

Provincial Government - Punjab		-	11,622,050	25,696,890
Provincial Government - Baluchistan	13.1.2	2,113,244	5,183,244	8,183,244
Provincial Government - Khyber Pakhtunkhwa	13.1.3	1,152,922	1,918,841	2,438,290
	13.1.1	<u>3,266,166</u>	<u>18,724,135</u>	<u>36,318,424</u>

- 13.1.1** During the year, mark-up on above balances due from the Provincial Governments was charged at various rates ranging between 9.03% to 9.98% (2013: 9.21% to 11.93%) per annum.
- 13.1.2** This represents current account receivable balance of the Government of Baluchistan and carries interest at a rate equivalent to six months weighted average Market Treasury Bills rate. Under the agreement, the total loan is repayable in 65 monthly installments, which started from July 1, 2009. The loan is secured by the guarantee of the Federal Government.
- 13.1.3** This represents bridge financing facility extended to Government of Khyber Pakhtunkhwa under agreement carried out on December 28, 2010. This loan is repayable in 16 equal quarterly installments amounting to Rs. 187.5 million starting from December 31, 2011 along with mark-up at the rate of 3 months weighted average market treasury bills rate of the last auction of the preceding quarter. As at June 30, 2014, the principal outstanding balance of this loan amounts to Rs.1,125 million (2013: Rs 1,875 million). The loan is secured by the guarantee of Federal Government.

13.2 Loans and advances to Government owned / controlled financial institutions

	Scheduled banks			Other financial institutions			Total		
	2014	2013	July 1, 2012	2014	2013	July 1, 2012	2014	2013	July 1, 2012
	(Rupees in '000)								
Agricultural sector (13.2.1)	50,526,831	50,668,119	50,799,596	-	-	-	50,526,831	50,668,119	50,799,596
Industrial sector (13.2.1 & 13.2.2)	6,661,817	6,790,643	7,679,797	-	-	-	6,661,817	6,790,643	7,679,797
Export sector (13.3.1)	15,421,989	13,627,732	13,396,784	3,567	3,567	3,567	15,425,556	13,631,299	13,400,351
Housing sector (13.2.2)	-	-	-	11,242,300	11,242,300	11,242,300	11,242,300	11,242,300	11,242,300
Others (13.2.1, 13.2.3 & 13.2.4)	16,939,306	16,939,306	16,939,306	-	-	-	16,939,306	16,939,306	16,939,306
	89,549,943	88,025,800	88,815,483	11,245,867	11,245,867	11,245,867	100,795,810	99,271,667	100,061,350

- 13.2.1** Exposure to the agricultural and industrial sectors include Rs. 50,174.09 million and Rs. 1,083.12 million (2013: Rs. 50,174.09 million and Rs. 1,083.12 million) respectively, representing the cumulative Government guaranteed financing of Rs. 51,257.21 million (2013: Rs. 51,257.21 million) to Zarai Taraqiati Bank Limited (ZTBL) in addition to the unsecured subordinated loan to ZTBL amounting to Rs. 3,204 million (2013: Rs. 3,204 million) classified in other loans and advances. The entire exposure has been overdue since 2002.

In a tripartite meeting held on July 11, 2014 between Ministry of Finance (MoF), ZTBL and the Bank, it was decided that the total outstanding amount of Rs. 89,490 million, including suspended mark-up of Rs. 35,029 million, will be converted to an equity investment of the Bank in ZTBL. This is subject to completion of all legal and statutory formalities and the fair valuation exercise of the entity. Pending completion of the conversion process, these balances are secured through sovereign guarantee of the Government of Pakistan.

- 13.2.2** This represents loan receivable from House Building Finance Corporation Limited (HBFC) against seven credit lines on profit and loss sharing basis. As at June 30, 2014, all of these credit lines are overdue since 2006 amounting to Rs. 11,242 million (2013: Rs. 11,242 million). These credit lines are secured by the guarantee from the Federal Government.

It was decided in a tripartite meeting among MoF, HBFC and the Bank held on July 11, 2014 that the total outstanding amount of Rs. 15,690 million, including suspended mark-up / share of profit / loss of Rs. 4,448 million, after immediate cash payment of Rs. 2,000 million i.e. Rs. 13,690 million will be converted to an equity investment of the Bank in HBFC. This is subject to completion of all legal and statutory formalities and the fair valuation exercise of the entity. Pending completion of the conversion process, these balances are secured through sovereign guarantee of the Government of Pakistan.

- 13.2.3** This includes exposure to the Industrial Development Bank Limited (IDBL) under Locally Manufactured Machinery (LMM) credit line amounting to Rs. 1,054 million (2013: Rs. 1,054 million). Furthermore, loans and advances also include loans amounting to Rs. 13,000 million and Rs. 340.78 million (2013: Rs. 13,000 million and Rs. 340.78 million) to IDBL which are secured by the Government guarantee and other Government securities respectively. The Federal Government vide its vesting order dated November 13, 2012 had transferred and vested all assets and liabilities of IDBP into the IDBL with effect from November 13, 2012. The entire exposure has become overdue since 2001. In line with the Federal Cabinet decision of winding up, the bank has closed all of its branches except two branches operating in Karachi and Lahore as at June 30, 2014.
- 13.2.4** These balances include Rs. 423 million (2013: Rs. 423 million) which are recoverable from various financial institutions operating in Bangladesh (former East Pakistan). The realisability of these balances is subject to final settlement between the Governments of Pakistan and Bangladesh (former East Pakistan).

13.3 Loans and advances to private sector financial institutions

	Scheduled banks			Other financial institutions			Total		
	2014	2013	July 1, 2012	2014	2013	July 1, 2012	2014	2013	July 1, 2012
	(Rupees in '000)								
Agricultural sector	1,379,816	1,654,860	1,378,592	121,999	132,777	160,416	1,501,815	1,787,637	1,539,008
Industrial sector	38,080,588	36,010,495	36,516,523	4,391,844	4,315,772	4,714,480	42,472,432	40,326,267	41,231,003
Export sector (13.3.1)	148,001,464	166,985,805	154,632,346	-	-	-	148,001,464	166,985,805	154,632,346
Others	25,482	25,482	25,482	-	-	-	25,482	25,482	25,482
	187,487,350	204,676,642	192,552,943	4,513,843	4,448,549	4,874,896	192,001,193	209,125,191	197,427,839

- 13.3.1** Export sector loans are fully secured against demand promissory notes.

		2014	2013	July 1, 2012
		(Rupees in '000)		
13.4 Provision against loans and advances				
Opening balance		5,340,825	6,397,908	6,397,908
Reversal during the year		-	(1,057,083)	-
Closing balance		<u>5,340,825</u>	<u>5,340,825</u>	<u>6,397,908</u>
13.5	The interest / mark-up rate profile of the interest / mark-up bearing loans and advances is as follows:			
		2014	2013	
		(% per annum)		
Government owned / controlled and private sector financial institutions		0 to 11	0 to 11	
Employees loans		10	10	
14. ASSETS HELD WITH THE RESERVE BANK OF INDIA	Note	2014	2013	July 1, 2012
		(Rupees in '000)		
Gold reserves				
- Opening balance		3,989,634	5,075,827	4,346,524
- Appreciation / (diminution) for the year due to revaluation	26.3.1.1	373,927	(1,086,193)	729,303
		<u>4,363,561</u>	<u>3,989,634</u>	<u>5,075,827</u>
Sterling securities		555,687	501,657	486,977
Government of India securities		235,177	240,439	241,525
Rupee coins		4,835	4,938	4,959
	14.1	<u>5,159,260</u>	<u>4,736,668</u>	<u>5,809,288</u>
Indian notes representing assets receivable from the Reserve Bank of India	14.2	707,619	723,449	726,719
	19.1	<u>5,866,879</u>	<u>5,460,117</u>	<u>6,536,007</u>
14.1	These assets were allocated to the Government of Pakistan as its share of the assets of the Reserve Bank of India under the provisions of Pakistan (Monetary System and Reserve Bank) Order, 1947. The transfer of these assets to the Bank is subject to final settlement between the Governments of Pakistan and India (also refer note 26.3.1).			
14.2	These represent Pak Rupee equivalent of Indian rupee notes which were in circulation in Pakistan until retirement from circulation under the Pakistan (Monetary System and Reserve Bank) Order, 1947. Realisability of these assets is subject to final settlement between the Governments of Pakistan and India (also refer note 26.3.1).			
15. BALANCES DUE FROM THE GOVERNMENTS OF INDIA AND BANGLADESH (FORMER EAST PAKISTAN)	Note	2014	2013	July 1, 2012
		(Rupees in '000)		
India				
Advance against printing of notes		39,616	39,616	39,616
Receivable from the Reserve Bank of India		837	837	837
		<u>40,453</u>	<u>40,453</u>	<u>40,453</u>
Bangladesh (former East Pakistan)				
Inter office balances		819,924	819,924	819,924
Loans, advances and commercial papers	15.1	7,097,281	6,536,661	6,015,556
		<u>7,917,205</u>	<u>7,356,585</u>	<u>6,835,480</u>
	15.2	<u>7,957,658</u>	<u>7,397,038</u>	<u>6,875,933</u>
15.1	These represent interest bearing loans and advances (including commercial papers) provided to the Government of Bangladesh (former East Pakistan).			
15.2	The realisability of the above balances is subject to final settlement between the Government of Pakistan and Government of Bangladesh (former East Pakistan) and India (also refer notes 26.1, 26.2 and 26.3.1).			
16. PROPERTY AND EQUIPMENT	Note	2014	2013	July 1, 2012
		(Rupees in '000)		
Operating fixed assets	16.1	20,515,804	21,597,598	22,804,949
Capital work-in-progress	16.3	661,107	505,907	364,253
		<u>21,176,911</u>	<u>22,103,505</u>	<u>23,169,202</u>

16.1 Operating fixed assets

	2014							
	Cost / revalued amount at July 1, 2013	Additions / (deletions) during the year	Cost / revalued amount at June 30, 2014	Accumulated depreciation at July 1, 2013	Depreciation for the year/ (deletions)	Accumulated depreciation at June 30, 2014	Net book value at June 30, 2014	Useful life / Rate of depreciation
(Rupees in '000)								
Freehold land *	3,791,658	-	3,791,658	-	-	-	3,791,658	-
Leasehold land *	16,811,005	-	16,811,005	1,179,568	589,889	1,769,457	15,041,548	30-99 years
Buildings on freehold land *	1,067,512	10,999	1,078,511	414,199	216,587	630,786	447,725	20 years
Buildings on leasehold land *	1,957,526	57,484	2,015,010	748,172	410,322	1,158,494	856,516	20 years
Furniture and fixtures	98,021	1,100	99,121	77,613	6,517	84,130	14,991	10%
Office equipment	632,465	60,678	693,143	494,059	70,276	564,335	128,808	20%
EDP equipment	1,284,282	133,220 (38,201)	1,379,301	1,235,782	50,736 (18,989)	1,267,529	111,772	33.33%
Motor vehicles	273,232	79,556 (25,758)	327,030	168,710	53,978 (18,444)	204,244	122,786	20%
	25,915,701	343,037	26,194,779	4,318,103	1,398,305	5,678,975	20,515,804	
		(63,959)			(37,433)			
	2013							
	Cost / revalued amount at July 1, 2012	Additions / (deletions) during the year	Cost / revalued amount at June 30, 2013	Accumulated depreciation at July 1, 2012	Depreciation for the year/ (deletions)	Accumulated depreciation at June 30, 2013	Net book value at June 30, 2013	Useful life / Rate of depreciation
(Rupees in '000)								
Freehold land *	3,791,658	-	3,791,658	-	-	-	3,791,658	-
Leasehold land *	16,807,143	3,862	16,811,005	589,562	590,006	1,179,568	15,631,437	30-99 years
Buildings on freehold land *	1,041,145	26,367	1,067,512	203,807	210,392	414,199	653,313	20 years
Buildings on leasehold land *	1,916,988	40,538	1,957,526	368,691	379,481	748,172	1,209,354	20 years
Furniture and fixtures	98,537	1,623 (2,139)	98,021	71,213	8,532 (2,132)	77,613	20,408	10%
Office equipment	628,272	44,733 (40,540)	632,465	464,640	69,702 (40,283)	494,059	138,406	20%
EDP equipment	1,241,961	44,828 (2,507)	1,284,282	1,169,325	67,975 (1,518)	1,235,782	48,500	33.33%
Motor vehicles	273,026	18,942 (18,736)	273,232	126,543	54,174 (12,007)	168,710	104,522	20%
	25,798,730	180,893	25,915,701	2,993,781	1,380,262	4,318,103	21,597,598	
		(63,922)			(55,940)			

* These represent revalued assets.

	2012							
	Cost / revalued amount at July 1, 2011	Additions / (deletions) during the year	Cost / revalued amount at June 30, 2012	Accumulated depreciation at July 1, 2011	Depreciation for the year/ (deletions)	Accumulated depreciation at June 30, 2012	Net book value at June 30, 2012	Useful life / Rate of depreciation
	(Rupees in '000)							
Freehold land *	3,791,658	-	3,791,658	-	-	-	3,791,658	-
Leasehold land *	16,735,802	71,341	16,807,143	-	589,562	589,562	16,217,581	30-99 years
Buildings on freehold land *	1,019,194	21,951	1,041,145	-	203,807	203,807	837,338	20 years
Buildings on leasehold land *	1,878,950	38,038	1,916,988	-	368,691	368,691	1,548,297	20 years
Furniture and fixtures	106,267	1,556 (9,286)	98,537	71,492	8,946 (9,225)	71,213	27,324	10%
Office equipment	607,425	39,267 (18,420)	628,272	400,237	81,763 (17,385)	464,640	163,632	20%
EDP equipment	1,247,382	21,266 (26,687)	1,241,961	1,043,105	142,976 (16,796)	1,169,325	72,636	33.33%
Motor vehicles	272,679	33,308 (32,961)	273,026	94,584	52,531 (20,572)	126,543	146,483	20%
	25,659,357	226,727 (87,354)	25,798,730	1,609,418	1,448,276 (63,978)	2,993,781	22,804,949	
		-			65			

* These represent revalued assets.

16.2 Last revaluation was carried out on June 30, 2011 by Iqbal A.Nanjee & Co. (Private) Limited, independent valuers.

16.2.1 Subsequent to revaluation on June 30, 2006, which had resulted in a net surplus of Rs.12,552.51 million, all land and buildings were revalued again on June 30, 2011 which resulted in a net surplus of Rs.7,231.39 million. The land and buildings valuations were carried out on the basis of professional assessment of market values by the independent valuers. Had there been no revaluation, the carrying value of the revalued assets would have been as follows:

	2014	2013	July 1, 2012
	(Rupees in '000)		
Freehold land	39,124	39,124	39,124
Leasehold land	86,955	89,305	87,038
Buildings on freehold land	324,708	330,799	321,842
Buildings on leasehold land	580,258	553,314	541,898
	<u>1,031,045</u>	<u>1,012,542</u>	<u>989,902</u>

16.3 Capital work-in-progress

Buildings on freehold land	85,730	14,641	8,016
Buildings on leasehold land	410,749	402,567	309,301
Furniture and fixtures	-	181	-
Office equipment	143,589	57,091	46,558
EDP equipment	21,039	31,427	378
	<u>661,107</u>	<u>505,907</u>	<u>364,253</u>

17. INTANGIBLE ASSETS

		Cost at July 1	Additions during the year	Cost at June 30	Accumulated amortisation at July 1	Amortisation for the year	Accumulated amortisation at June 30	Net book value at June 30	Annual rate of amortisation %
		(Rupees in '000)							
Software	2014	601,880	7,567	609,447	585,639	14,881	600,520	8,927	33.33
Software	2013	601,575	305	601,880	570,693	14,946	585,639	16,241	33.33
Software	2012	565,048	36,527	601,575	543,553	27,140	570,693	30,882	33.33

	Note	2014	2013	July 1, 2012
		----- (Rupees in '000) -----		
18. OTHER ASSETS				
Other advances, deposits and prepayments		555,980	607,478	581,502
Commission receivable and others		961,567	117,265	115,125
		<u>1,517,547</u>	<u>724,743</u>	<u>696,627</u>
19. BANK NOTES IN CIRCULATION				
Total bank notes issued	19.1	2,309,237,913	2,041,504,603	1,777,122,544
Notes held with the Banking Department	6	(110,890)	(143,300)	(160,156)
Notes in circulation		<u>2,309,127,023</u>	<u>2,041,361,303</u>	<u>1,776,962,388</u>
19.1	The liability for bank notes issued of the Issue Department is recorded at its face value in the balance sheet. In accordance with section 26 (1) of SBP Act 1956, this liability is supported by the following assets of the Issue Department.			
	Note	2014	2013	July 1, 2012
		----- (Rupees in '000) -----		
Gold reserves held by the Bank	5	269,307,930	246,096,839	313,077,419
Coins	6	417,880	924,997	1,814,196
Foreign currency accounts and investments	7	330,654,911	92,604,275	359,956,350
Special Drawing Rights of the International Monetary Fund	9	7,625,850	7,437,650	7,146,000
Investments - local	12	1,695,364,463	1,688,902,225	1,088,514,072
Commercial papers held in Bangladesh (former East Pakistan)		-	78,500	78,500
Assets held with the Reserve Bank of India	14	5,866,879	5,460,117	6,536,007
		<u>2,309,237,913</u>	<u>2,041,504,603</u>	<u>1,777,122,544</u>
20. CURRENT ACCOUNTS OF GOVERNMENTS				
20.1 Current accounts of Governments - payable balances				
Federal Government	20.3	364,978,120	75,614,619	95,381,342
Provincial Governments				
- Punjab	20.4	70,067,226	7,312,358	16,196,041
- Sindh	20.5	11,043,372	-	-
- Khyber Pakhtunkhwa	20.6	51,663,856	27,939,475	28,601,808
- Baluchistan	20.7	30,356,035	19,788,639	8,354,506
Gilgit - Baltistan Administration Authority	20.8	3,697,934	2,654,671	-
		<u>166,828,423</u>	<u>57,695,143</u>	<u>53,152,355</u>
		<u>531,806,543</u>	<u>133,309,762</u>	<u>148,533,697</u>
20.2 Current accounts of Governments - receivable balances				
Provincial Government of Sindh	20.5	-	3,595,992	9,533,682
Gilgit - Baltistan Administration Authority	20.8	-	-	602,969
Government of Azad Jammu and Kashmir	20.9	802,315	2,394,941	2,675,619
		<u>802,315</u>	<u>5,990,933</u>	<u>12,812,270</u>
20.3 Federal Government				
Non-food account		235,195,428	105,372,208	126,141,484
Zakat fund accounts		4,825,613	4,057,267	3,956,688
Railways accounts	20.10	(36,345,798)	(37,915,421)	(38,806,766)
Other accounts		161,302,877	4,100,565	4,089,936
		<u>364,978,120</u>	<u>75,614,619</u>	<u>95,381,342</u>
20.4 Provincial Government - Punjab				
Non-food account		7,240,314	(43,178,664)	(35,207,201)
Zakat fund account		815,949	1,136,322	2,373,632
Other accounts		62,010,963	49,354,700	49,029,610
		<u>70,067,226</u>	<u>7,312,358</u>	<u>16,196,041</u>

	Note	2014	2013	July 1, 2012
		----- (Rupees in '000) -----		
20.5 Provincial Government - Sindh				
Non-food account		8,781,880	(6,225,940)	(12,192,742)
Zakat fund account		2,055,788	2,529,730	2,434,119
Other accounts		205,704	100,218	224,941
		11,043,372	(3,595,992)	(9,533,682)
Classified as receivable balance	20.10	-	3,595,992	9,533,682
		11,043,372	-	-
20.6 Provincial Government - Khyber Pakhtunkhwa				
Non-food account		46,142,712	7,455,660	15,426,567
Zakat fund account		1,446,912	1,012,133	1,168,535
Other accounts		4,074,232	19,471,682	12,006,706
		51,663,856	27,939,475	28,601,808
20.7 Provincial Government - Baluchistan				
Non-food account		29,639,920	19,244,506	7,769,687
Zakat fund account		589,366	417,194	357,606
Other accounts		126,749	126,939	227,213
		30,356,035	19,788,639	8,354,506
20.8 Gilgit - Baltistan Administration Authority		3,697,934	2,654,671	(602,969)
Classified as receivable balance		-	-	602,969
		3,697,934	2,654,671	-
20.9 Government of Azad Jammu and Kashmir		(802,315)	(2,394,941)	(2,675,619)
Classified as receivable balance	20.10	802,315	2,394,941	2,675,619
		-	-	-

20.10 These balances carry mark-up at the rate ranging from 9.98% to 12.15% per annum (2013: 9.35% to 12.35% per annum).

21. SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE

This represents borrowings under repurchase agreement maturing on July 2, 2014 and carry markup rate of 7.5% per annum (2013: nil). Securities pledged as collateral against these borrowings have been disclosed in note 12 to these financial statements and on the balance sheet as "Securities given as collateral under repurchase agreements".

22. PAYABLE UNDER BILATERAL CURRENCY SWAP AGREEMENT

22.1 Payable under bilateral currency swap agreement with the People's Bank of China (PBoC)

A bilateral currency swap agreement was entered between the Bank and the PBoC on December 23, 2011 in order to promote bilateral trade, finance direct investment, provide short term liquidity support and for any other purpose mutually agreed between the two central banks. The agreement is for a tenure of 3 years with overall limit of PKR 140,000 million and CNY 10,000 million in respective currencies. The Bank has purchased CNY 1,500 million, CNY 3,500 million and CNY 1,500 million against PKR during the year with maturity buckets of one year, six months and six months respectively, which have been fully utilized as on June 30, 2014 and the same amounts are outstanding as on June 30, 2014. Interest is charged on outstanding balance at agreed rates. As at June 30, 2014, the Bank's commitment under this agreement is PKR 140,000 million (2013: PKR 140,000 million).

22.2 Bilateral currency swap agreement with the Central Bank of Republic of Turkey (CBRT)

A bilateral currency swap agreement was entered between the Bank and the CBRT on November 1, 2011 in order to promote bilateral trade and for any other purpose mutually agreed between the two central banks. The agreement is for a tenure of 3 years with overall limit of PKR 86,300 million and Turkish LIRA 1,800 million in respective currencies. Till June 30, 2014, there has been no request from either of the two central banks to activate this agreement. As at June 30, 2014, the Bank's commitment under this agreement is PKR 86,300 million (2013: PKR 86,300 million).

23.	DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS	Note	2014	2013	July 1, 2012
			----- (Rupees in '000) -----		
	Foreign currency				
	Scheduled banks		23,305,097	23,420,232	23,115,145
	Held under Cash Reserve Requirement		136,200,819	117,681,704	104,970,918
			159,505,916	141,101,936	128,086,063
	Local currency				
	Scheduled banks		368,623,750	331,626,659	266,657,312
	Financial institutions		2,546,620	2,852,018	1,366,081
	Others		70,070	67,188	63,011
			371,240,440	334,545,865	268,086,404
			530,746,356	475,647,801	396,172,467
24.	OTHER DEPOSITS AND ACCOUNTS				
	Foreign currency				
	Foreign central banks		44,483,210	44,870,494	42,572,864
	International organisations	24.2	24,902,682	35,633,270	43,320,520
	Others		13,712,458	15,320,982	16,008,153
		24.1	83,098,350	95,824,746	101,901,537
	Local currency				
	Special debt repayment	24.3	24,074,660	24,074,660	23,914,674
	Government	24.4	17,850,348	19,130,988	19,130,988
	Foreign central banks		1,904	1,848	-
	International organisations		6,330,362	6,099,056	-
	Others		14,054,358	10,710,958	9,074,822
			62,311,632	60,017,510	52,120,484
			145,409,982	155,842,256	154,022,021
24.1	The interest rate profile of the interest bearing deposits is as follows:			2014 (% per annum)	2013
	Foreign central banks			0.32 to 0.57	0.36 to 0.61
	International organisations			1.35 to 2.47	1.42 to 2.51
	Others			0.03 to 0.12	0 to 0.17
24.2	This includes two long-term deposits of USD 500 million each received from the State Administration Foreign Exchange (SAFE) China in January 2009 (rolled-over in January 2014) and June 2012 (rolled-over in June 2014) carrying interest at six months LIBOR plus 100 bps and twelve months LIBOR plus 100 bps respectively, both payable semi-annually. These deposits of USD 500 million each have been set off against the rupee counterpart receivable from the Federal Government and have been covered under Ministry of Finance (MoF) Guarantees whereby the MoF has agreed to assume all liabilities and risks arising from the Bank's agreement with SAFE China.				
	Further, this also includes a deposit of USD 500 million received from SAFE China in June 2008 carrying interest at six months LIBOR plus 100 bps, payable semi-annually. There is no outstanding balance of this deposit as on June 30, 2014 (2013: USD 100 million).				
24.3	These are interest free and represent amounts kept in separate special accounts to meet forthcoming foreign currency debt repayment obligations of the Government of Pakistan.				
24.4	These represent rupee counterpart of the foreign currency loan disbursements received from various international financial institutions on behalf of the Government and credited to separate deposit accounts in accordance with the instructions of the Government.				
25.	PAYABLE TO THE INTERNATIONAL MONETARY FUND	Note	2014	2013	July 1, 2012
			----- (Rupees in '000) -----		
	Borrowings under:				
	- Fund facilities	25.1 & 25.4	231,569,547	274,475,129	489,178,999
	- Other credit schemes	25.2 & 25.4	2,627,563	10,250,867	27,084,483
	- Allocation of SDRs	25.3	150,797,597	147,067,973	141,315,906
			384,994,707	431,793,969	657,579,388
	Current account for administrative charges		35	34	33
			384,994,742	431,794,003	657,579,421

- 25.1** IMF provides financing to its member countries from General Resources Account (GRA) held in its General Department. GRA credit is normally governed by the IMF's general lending policies (also known as "credit tranche" policies, which provide financing for Balance of Payments [BoP] needs).

Under GRA financing, IMF granted Stand By Arrangement Facility (SBAF) amounting to SDR 5,168.50 million in FY 2008-09, having repayment period of 3¼–5 years, with repayments in eight equal quarterly installments. The facility was extended in FY 2009-10 up to SDR 7,235.90 million which includes financing for Budget Support for the Government of Pakistan amounting to SDR 951.10 million. The amount was to be disbursed by IMF in 8 tranches starting from November 26, 2008 to November 30, 2011. However, a total amount of SDR 4,936.04 million, including GoP Budgetary Support, was disbursed under five (5) tranches of SBAF up to June 30, 2010. The Bank's (BoP) share in the disbursement was SDR 3,984.94 million. The repayment of the facility has commenced from February 2012 and would continue up to May 2015. Upto June 30, 2014 out of Bank's (BoP) share an amount of SDR 3,551.83 million has been repaid (2013: SDR 2,147.28 million). Outstanding balance as on June 30, 2014 is SDR 433.10 million (2013: SDR 1,837.65 million).

Further, another 36-month extended arrangement under GRA financing i.e. Extended Fund Facility (EFF) was granted by IMF in FY 2013-14; the total facility amounts to SDR 4,393 million having repayment period of 4½–10 years, with repayments in twelve equal semi-annual installments. A total amount of SDR 1,080 million has been disbursed under three (3) tranches of EFF up to June 30, 2014. The repayments under this facility would start in March 2018 and would continue till March 2024.

- 25.2** IMF provides concessional financial assistance to low-income members from Special Disbursement Account (SDA) held in its General Department. Under IMF's lending to Low Income Countries (LICs) from SDA resources i.e. Poverty Reduction and Growth Facility (PRGF), a total amount of SDR 861.42 million was disbursed to Pakistan from December 2001 to July 2004. Upto June 30, 2014 an amount of SDR 844.19 million has been repaid (2013: SDR 792.51 million) and outstanding balance amounted to SDR 17.23 million as at June 30, 2014 (2013: SDR 68.91 million). The facility has been fully repaid in July 2014.

- 25.3** This represents amount payable against allocation of SDRs. A charge is levied by the IMF on the SDR allocation of the Bank at weekly interest rate applicable on daily product of SDR.

- 25.4** Interest profile of amount payable to the IMF is as under:

	<i>Note</i>	2014	2013
		(% per annum)	
Fund facilities	25.4.1	1.06 to 1.14	1.04 to 1.12
Other credit schemes	25.4.2	Nil	Nil

- 25.4.1** The IMF levies a basic rate of interest (charges) on loans based on the SDR interest rate and imposes surcharges depending on the amount and maturity of the loan and the level of credit outstanding. Interest rates are determined by the IMF on weekly basis. Charges are, however, payable on a quarterly basis.

- 25.4.2** On December 21, 2012 the IMF Board extended the waiver of interest payments for concessional loans upto December 31, 2014.

	<i>Note</i>	2014	2013	July 1, 2012
26. OTHER LIABILITIES		----- (Rupees in '000) -----		
Local currency				
Overdue mark-up and return	26.1	6,703,128	6,142,508	5,621,403
Remittance clearance account		1,377,735	1,652,084	1,556,814
Exchange loss payable under exchange risk coverage scheme		214,485	226,436	228,556
Balance profit payable to the Government of Pakistan		18,910,705	76,472,914	62,700,879
Dividend payable	26.4	10,000	10,000	10,000
Share of loss payable under profit and loss sharing arrangements		1,377,691	2,407,129	2,407,129
Other accruals and provisions	26.3	21,119,500	20,223,909	21,693,510
Others	26.2	7,313,064	1,237,025	3,805,790
		57,026,308	108,372,005	98,024,081

- 26.1** This represents suspended markup which is recoverable from Government of Bangladesh (former East Pakistan) subject to the final settlement between the Governments of Pakistan and Bangladesh (former East Pakistan).

- 26.2** This includes liability maintained against balances due from Government of Bangladesh (former East Pakistan) amounting to Rs. 778.399 million (2013: Rs. 778.399 million).

	Note	2014	2013	July 1, 2012
26.3	Other accruals and provisions	----- (Rupees in '000) -----		
Agency commission		8,691,248	8,761,090	7,144,581
Provision for employees' compensated absences	40.6.9	2,137,720	1,633,039	1,296,007
Provision for other doubtful assets	26.3.1	6,766,237	6,359,475	7,435,365
Other provisions	26.3.2	2,850,422	2,848,933	4,981,171
Others		673,873	621,372	836,386
		21,119,500	20,223,909	21,693,510

26.3.1 Provision for other doubtful assets

Provision against assets held with / receivable from Government of India and the Reserve Bank of India

- Issue Department	5,866,879	5,460,117	6,536,007
- Banking Department	40,483	40,483	40,483
	5,907,362	5,500,600	6,576,490

Provision against assets receivable from Government of Bangladesh (Former East Pakistan)

- Issue Department	-	78,500	78,500
- Banking Department	858,875	780,375	780,375
	858,875	858,875	858,875
26.3.1.1	6,766,237	6,359,475	7,435,365

26.3.1.1 Movement of provisions for other doubtful assets

Opening balance	6,359,475	7,435,365	2,463,856
Charge during the year	32,835	10,303	5,073,924
Appreciation / (diminution) relating to gold reserves held by the Reserve Bank of India	373,927	(1,086,193)	(102,415)
Closing balance	6,766,237	6,359,475	7,435,365

26.3.2 Movement of other provisions

Opening balance	2,848,933	4,981,171	3,110,055
Charge / (reversal) during the year	1,489	(550,880)	1,885,143
Payment during the year	-	(1,581,358)	(14,027)
Closing balance	2,850,422	2,848,933	4,981,171

	Home remittance	Agriculture loan	Specific claims (note 26.3.2.2)	Others (note 26.3.2.1)	Total
	----- (Rupees in '000) -----				
Balance as at July 1, 2012	260,363	245,099	1,600,000	2,875,709	4,981,171
Charge during the year	-	-	-	-	-
Reversal during the year	-	(245,099)	-	(305,781)	(550,880)
Payment during the year	-	-	-	(1,581,358)	(1,581,358)
Balance as at June 30, 2013	260,363	-	1,600,000	988,570	2,848,933
Charge during the year	-	-	-	1,489	1,489
Reversal during the year	-	-	-	-	-
Payment during the year	-	-	-	-	-
Balance as at June 30, 2014	260,363	-	1,600,000	990,059	2,850,422

26.3.2.1 This represents provision made in respect of various litigations and claims against the Bank.

26.3.2.2 This represents provision made against a claim under arbitration.

26.4 This includes dividend payable on shares held by the Government of Pakistan and Government controlled entities amounting to Rs. 9.99 million.

27.	DEFERRED LIABILITY - UNFUNDED STAFF RETIREMENT BENEFITS			Note	2014	2013	July 1, 2012
					----- (Rupees in '000) -----		
	Pension				16,125,506	13,864,007	11,952,287
	Gratuity scheme				17,763	17,754	12,726
	Benevolent fund scheme				284,914	621,515	496,484
	Post retirement medical benefits				5,020,474	4,139,720	3,786,987
	Six months post retirement facility				245,940	159,043	-
			40.6.3		21,694,597	18,802,039	16,248,484
	Provident fund scheme				223,604	212,960	218,866
					21,918,201	19,014,999	16,467,350
28.	SHARE CAPITAL						
	2014	2013	July 1, 2012		2014	2013	July 1, 2012
	----- (Number of shares) -----				----- (Rupees in '000) -----		
	Authorised share capital						
	1,000,000	1,000,000	1,000,000	Ordinary shares of Rs. 100 each	100,000	100,000	100,000
	Issued, subscribed and paid-up capital						
	1,000,000	1,000,000	1,000,000	Fully paid-up ordinary shares of Rs. 100 each	100,000	100,000	100,000
	The shares of the Bank are held by the Government of Pakistan and certain Government controlled entities except for 200 shares held by the Central Bank of India (held by Deputy Custodian Enemy Property, Banking Policy and Regulations Department, State Bank of Pakistan) and 500 shares held by the State of Hyderabad.						
29.	RESERVES						
29.1	Reserve fund						
	This represents appropriations made out of the annual profits of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956.						
29.2	Other funds						
	These represent appropriations made out of the surplus profits of the State Bank of Pakistan for certain specified purposes in accordance with the provisions of the State Bank of Pakistan Act, 1956.						
30.	UNREALISED APPRECIATION ON GOLD RESERVES HELD BY THE BANK			Note	2014	2013	July 1, 2012
					----- (Rupees in '000) -----		
	Opening balance				242,568,983	309,565,438	268,947,619
	Revaluation reserve relating to gold reserves held by the Reserve Bank of India transferred to provision for other doubtful assets				-	-	(4,344,622)
	Appreciation / (diminution) for the year due to revaluation			5	23,070,665	(66,996,455)	44,962,441
					265,639,648	242,568,983	309,565,438
31.	CONTINGENCIES AND COMMITMENTS						
31.1	Contingencies						
	a) Contingent liability in respect of guarantees given on behalf of:						
	Federal Government				23,710,102	36,033,835	44,051,938
	Federal Government owned / controlled bodies and authorities				7,961,328	8,307,650	8,187,802
					31,671,430	44,341,485	52,239,740

Above guarantees are secured by counter guarantees either from the Government of Pakistan or local financial institutions.

- b) Certain employees of the Bank who had retired under the Early Retirement Incentive Scheme (ERIS) introduced in the year 2000 had filed a case against the Bank in the Federal Services Tribunal (FST) for the enhancement of their entitlement paid under the above scheme amounting to Rs. 157 million approximately. The Tribunal has decided the case in favour of these employees and has directed that the entitlement under the above scheme should include the effect of subsequent increases in certain staff retirement and other benefits. The Bank, in response to the above decision of the Tribunal filed a civil petition for leave to appeal in the Supreme Court of Pakistan. In prior years, the Honorable Bench of the Supreme Court of Pakistan set aside the judgment of FST and allowed employees to avail proper forum. The employees have filed an appeal in the Honorable Lahore High Court, Rawalpindi Bench, the decision of which is pending. The management is confident that the Bank would not have to bear any additional expenditure on this account and, accordingly, no provision has been made in this respect.

	Note	2014 -----	2013 (Rupees in '000)	July 1, 2012 -----
c) Other claims against the Bank not acknowledged as debts	31.1.1	<u>588,500</u>	<u>622,003</u>	<u>853,293</u>

31.1.1 These represent various claims filed against the Bank's role as a regulator and certain other cases.

31.2 Commitments	2014 -----	2013 (Rupees in '000)	July 1, 2012 -----
Foreign currency forward and swap contracts - sale	<u>371,895,229</u>	<u>420,921,081</u>	<u>412,632,541</u>
Foreign currency forward and swap contracts - purchase	<u>201,199,235</u>	<u>423,161,966</u>	<u>390,848,354</u>
Futures - sale	<u>15,854,429</u>	<u>14,044,952</u>	<u>15,877,206</u>
Futures - purchase	<u>10,826,777</u>	<u>15,806,824</u>	<u>13,242,061</u>

31.2.1 Commitments in respect of bilateral currency swap agreements with People's Bank of China and Central Bank of Republic of Turkey have been disclosed in note 22.

32. DISCOUNT, INTEREST / MARK-UP AND / OR RETURN EARNED	Note	2014 -----	2013 (Rupees in '000)
Discount, interest / mark-up on:			
- Government Market Related Treasury Bills		<u>267,818,472</u>	<u>177,876,025</u>
- Federal Government Scrips		<u>81,401</u>	<u>82,200</u>
- Loans and advances to and current accounts of Governments	32.1	<u>961,322</u>	<u>3,329,965</u>
Securities purchased under agreement to resell		<u>10,586,285</u>	<u>43,747,253</u>
Share of profit on finances under profit and loss sharing arrangements		<u>17,916,861</u>	<u>18,151,189</u>
Foreign currency deposits		<u>1,038,950</u>	<u>2,321,670</u>
Foreign currency securities		<u>6,411,353</u>	<u>5,046,804</u>
Others		<u>1,155,824</u>	<u>126,494</u>
		<u>305,970,468</u>	<u>250,681,600</u>

32.1 Interest profile on loans and advances to facilities are as under:	2014 (% per annum)	2013
Mark-up on facility	<u>9.03 to 9.98</u>	<u>9.21 to 11.93</u>
Additional mark-up (where ways and means facility limit is exceeded)	<u>4</u>	<u>4</u>

33. INTEREST / MARK-UP EXPENSE	2014 -----	2013 (Rupees in '000)
Deposits	<u>11,627,200</u>	<u>7,336,801</u>
Securities sold under agreement to repurchase	<u>3,544,415</u>	<u>231,486</u>
Charges on allocation of Special Drawing Rights of the IMF	<u>156,918</u>	<u>112,769</u>
Others	<u>9,358</u>	<u>24,450</u>
	<u>15,337,891</u>	<u>7,705,506</u>

	Note	2014 ------(Rupees in '000)-----	2013
34. COMMISSION INCOME			
Market Treasury Bills	34.1	664,242	528,351
Draft / payment orders		149,338	178,055
Prize Bonds and National Saving Certificates	34.1	363,208	337,409
Management of public debts	34.1	550,359	347,218
Others		47	367,592
		<u>1,727,194</u>	<u>1,758,625</u>
34.1	These represent commission income earned from services provided to the Federal Government.		
		2014 ------(Rupees in '000)-----	2013
35. EXCHANGE GAIN - NET			
Gain / (loss) on:			
- Foreign currency placements, deposits, securities and other accounts - net		21,875,653	25,856,535
- Forward covers under Exchange Risk Coverage Scheme		(14,686)	5,728
- IMF Fund Facilities		(5,913,842)	(16,233,145)
- Special Drawing Rights of the IMF		(1,920,242)	(3,019,610)
		<u>14,026,883</u>	<u>6,609,508</u>
Exchange risk fee income		85,433	93,907
		<u>14,112,316</u>	<u>6,703,415</u>
36. OTHER OPERATING INCOME / (LOSS) - NET			
Penalties levied on banks and financial institutions		755,735	904,330
License / Credit Information Bureau fee recovered		607,743	182,314
Gain / (loss) on disposal of investment:			
Local - available-for-sale		31,618,976	(276)
Foreign - 'at fair value through profit or loss'		(39,630)	1,625,362
		<u>31,579,346</u>	<u>1,625,086</u>
Loss on remeasurement of securities classified as 'fair value through profit or loss'		(3,699,100)	(3,748,949)
Others		(741,371)	16,908
		<u>28,502,353</u>	<u>(1,020,311)</u>
37. OTHER INCOME - NET			
(Loss) / gain on disposal of property and equipment		(20,295)	159
Liabilities and provisions written back - net		340	777
Grant income under foreign assistance program		9,976	26,292
Income from subsidiaries	37.1	142,635	147,154
Others		67,474	102,977
		<u>200,130</u>	<u>277,359</u>
37.1 Income from subsidiaries			
SBP Banking Services Corporation		50,109	59,166
National Institute of Banking and Finance (Guarantee) Limited		92,526	87,988
		<u>142,635</u>	<u>147,154</u>

The above represents the income of subsidiaries for the year ended June 30, 2014 transferred to the Bank in accordance with the arrangements mentioned in note 40.4.

38. BANK NOTES PRINTING CHARGES

Bank notes printing charges are paid to Pakistan Security Printing Corporation (Private) Limited at agreed rates under specific arrangements.

39. AGENCY COMMISSION

Agency commission is payable to National Bank of Pakistan under an agreement at the rate of 0.12% (2013: 0.13%) of the total amount of collections and payments handled by NBP.

	Note	2014 ------(Rupees in '000)-----	2013
40. GENERAL ADMINISTRATIVE AND OTHER EXPENSES			
Salaries and other benefits		2,810,452	2,316,075
Retirement benefits and employees' compensated absences	40.1	3,220,256	2,823,186
Rent and taxes		18,353	25,492
Insurance		21,553	21,783
Electricity, gas and water		36,578	30,850
Depreciation	16.1	1,398,305	1,380,262
Amortisation of intangible assets	17	14,881	14,946
Repairs and maintenance		337,879	358,706
Auditors' remuneration	40.5	6,050	6,050
Legal and professional		410,237	451,404
Travelling expenses		157,527	129,482
Daily expenses		38,803	45,795
Fuel		51,441	48,799
Conveyance		6,656	6,011
Postages, telegram / telex and telephone		178,452	145,581
Training		16,779	30,668
Stationery		9,110	9,043
Books and newspapers		26,712	29,363
Advertisement		2,815	23,599
Uniforms		1,771	1,900
Others		64,127	63,382
		8,828,737	7,962,377
Expenses allocated by:			
SBP Banking Services Corporation	40.2	6,893,244	5,878,332
National Institute of Banking and Finance (Guarantee) Limited		11,878	13,124
		6,905,122	5,891,456
Expenses reimbursed to:			
SBP Banking Services Corporation	40.3	7,086,827	6,213,009
National Institute of Banking and Finance (Guarantee) Limited		173,150	158,351
		7,259,977	6,371,360
		22,993,836	20,225,193

40.1 This includes an amount relating to defined contribution plan amounting to Rs. 77.705 million (2013: Rs. 62.603 million).

	Note	2014 ------(Rupees in '000)-----	2013
40.2 Expenses allocated by SBP Banking Services Corporation			
Retirement benefits and employees' compensated absences		6,804,886	5,783,296
Depreciation		88,358	95,036
		6,893,244	5,878,332

	Note	2014	2013
		----- (Rupees in '000) -----	
40.3 Expenses reimbursed to SBP Banking Services Corporation			
Salaries and other benefits		5,955,069	5,243,803
Rent and taxes		17,142	11,833
Insurance		5,374	5,404
Electricity, gas and water		302,524	244,753
Repairs and maintenance		124,422	71,915
Auditors' remuneration	40.5	5,950	5,950
Legal and professional		2,665	4,122
Travelling expenses		15,791	12,578
Daily expenses		22,066	18,704
Recreation allowance		217,782	189,249
Fuel		3,843	3,329
Conveyance		14,057	18,049
Postage and telephone		18,650	16,797
Training		37,915	42,152
Remittance of treasure		69,190	49,870
Stationery		12,796	13,629
Books and newspapers		1,292	1,402
Advertisement		10,773	12,018
Bank guards		120,676	121,944
Uniforms		17,779	23,725
Others		111,071	101,783
		7,086,827	6,213,009

40.4 SBP Banking Services Corporation (the Corporation), a wholly owned subsidiary of the Bank, carries out certain functions and activities principally relating to public dealing on behalf of the Bank and incurs administrative costs in this respect. Accordingly, under mutually agreed arrangements, all of the above costs have been reimbursed to or allocated by the Corporation while profit of the Corporation for the year ended June 30, 2014, as mentioned in note 37.1, has also been transferred to the Bank. Similar treatment is also followed by the other subsidiary, National Institute of Banking and Finance (Guarantee) Limited, under arrangements mutually agreed with the Bank.

	2014			2013		
	KPMG Taseer Hadi & Co.	A. F. Ferguson & Co.	Total	KPMG Taseer Hadi & Co.	A. F. Ferguson & Co.	Total
	----- (Rupees in '000) -----					
State Bank of Pakistan						
Audit fee	2,610	2,610	5,220	2,610	2,610	5,220
Out of pocket expenses	415	415	830	415	415	830
	3,025	3,025	6,050	3,025	3,025	6,050
SBP Banking Services Corporation						
Audit fee	2,090	2,090	4,180	2,090	2,090	4,180
Out of pocket expenses	885	885	1,770	885	885	1,770
	2,975	2,975	5,950	2,975	2,975	5,950
	6,000	6,000	12,000	6,000	6,000	12,000

40.6 Staff retirement benefits

40.6.1 During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using following significant assumptions:

	2014	2013
- Discount rate for year end obligation	13.25% - 13.50% p.a.*	11.5% p.a.
- Salary increase rate	13.25% - 13.50% p.a. **	11.5% p.a.
- Pension indexation rate	10.75% p.a.	9% p.a.
- Medical cost increase rate	13% p.a.	8% p.a.
- Personnel turnover	2.6% p.a.	3% p.a.
- Normal retirement age	60 Years	60 Years

* 13.5% has been used for post retirement medical benefits and gratuity scheme. For all other benefits rate of 13.25 % has been used.

** 13.5% has been used for gratuity scheme. For all other benefits rate of 13.25 % has been used.

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

40.6.2 Through its defined benefit plan, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Discount rate risk

The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.

Salary increase / inflation risk

The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service.

Mortality risk

The risk that the actual mortality experience is different than that of expected i.e. the actual life expectancy is longer than assumed.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed.

Medical inflation risk

The risk of actual medical inflation experience is different from assumed.

40.6.3 Change in present value of defined benefit obligation

	2014				
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
	-----Rupees in 000-----				
Present value of defined benefit obligation July 1, 2013	13,864,007	17,754	4,139,720	621,515	159,043
Current service cost	214,752	1,697	62,237	20,669	11,905
Interest cost on defined benefit obligation	1,505,890	2,042	460,575	67,569	17,501
Benefits Paid	(1,538,631)	-	(269,434)	(67,910)	(13,729)
Remeasurements:					
Actuarial (gains) / losses from changes in financial assumptions	-	-	-	(238,732)	-
Experience adjustments	2,079,488	(3,730)	627,376	(118,197)	71,220
Present value of defined benefit obligation as on June 30, 2014	16,125,506	17,763	5,020,474	284,914	245,940
	-----Rupees in 000-----				
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
	-----Rupees in 000-----				
Present value of defined benefit obligation as on July 1, 2012	11,952,287	12,726	3,786,987	496,484	-
Current service cost	172,000	1,632	39,992	15,000	-
Past service cost	-	-	-	-	159,043
Interest cost on defined benefit obligation	1,322,000	2,019	473,373	70,000	-
Benefits paid	(1,129,372)	-	(218,792)	(35,736)	-
Remeasurements:					
Actuarial (gains) / losses from changes in financial assumptions	-	-	-	-	-
Experience adjustments	1,547,092	1,377	58,160	75,767	-
Present value of defined benefit obligation as on June 30, 2013	13,864,007	17,754	4,139,720	621,515	159,043

40.6.3.1 The break-up of remeasurements recognised during the period in 'statement of comprehensive income' are as follows:

State Bank of Pakistan	2014	2013
	-----Rupees in '000)-----	
- Actuarial gains / (losses) from changes in financial assumptions	238,732	-
- Experience adjustments	(2,656,157)	(1,682,396)
	(2,417,425)	(1,682,396)
Allocated by SBP Banking Services Corporation - a subsidiary *	(12,972,476)	(4,038,181)

* Under mutually agreed arrangements, the amount has been allocated to the State Bank of Pakistan.

40.6.4 Amount recognised in the profit and loss account

	2014				
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
	-----Rupees in 000'-----				
Current service cost	214,752	1,697	62,237	20,669	11,905
Interest cost on defined benefit obligation	1,505,890	2,042	460,575	67,569	17,501
Contribution made by Employees	-	-	-	(3,850)	-
	1,720,642	3,739	522,812	84,388	29,406

	2013				
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
	Rupees in 000				
Current service cost	172,000	1,632	39,992	15,000	-
Past service cost	-	-	-	-	159,043
Interest cost on defined benefit obligation	1,322,000	2,019	473,373	70,000	-
Contribution made by Employees	-	-	-	(3,846)	-
	1,494,000	3,651	513,365	81,154	159,043
					2,251,213

40.6.5 Movement of present value of defined benefit obligation

	2014				
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
	Rupees in 000				
Net recognised liabilities at July 1, 2013	13,864,007	17,754	4,139,720	621,515	159,043
Amount recognised in the profit and loss account	1,720,642	3,739	522,812	84,388	29,406
Remeasurements	2,079,488	(3,730)	627,376	(356,929)	71,220
Benefits paid during the year	(1,538,631)	-	(269,434)	(67,910)	(13,729)
Employees contribution / amount transferred	-	-	-	3,850	-
Net recognised liabilities at June 30, 2014	16,125,506	17,763	5,020,474	284,914	245,940
					21,694,597

	2013				
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
	Rupees in 000				
Net recognised liabilities at July 1, 2012	11,952,287	12,726	3,786,987	496,484	-
Amount recognised in the profit and loss account	1,494,000	3,651	513,365	81,154	159,043
Remeasurements	1,547,092	1,377	58,160	75,767	-
Benefits paid during the year	(1,129,372)	-	(218,792)	(35,736)	-
Employees contribution / amount transferred	-	-	-	3,846	-
Net recognised liabilities at June 30, 2013	13,864,007	17,754	4,139,720	621,515	159,043
					18,802,039

40.6.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in Assumption	Increase in assumption	Decrease in assumption
	-----Rupees in '000)-----		
Pension			
Discount rate	1%	(1,260,670)	1,468,290
Future salary increase	1%	392,960	(361,083)
Future pension increase	1%	1,079,060	(944,582)
Expected mortality rates	1 Year	(390,864)	388,947
Gratuity			
Discount rate	1%	(2,637)	3,201
Future salary increase	1%	3,170	(2,658)
Post retirement medical benefit scheme			
Discount rate	1%	(557,767)	690,901
Future medical cost increase	1%	688,988	(565,730)
Expected mortality rates	1 Year	(163,975)	164,134
Benevolent			
Discount rate	1%	(14,488)	16,107
Contribution/Grant increase	1%	17,947	-
Expected mortality rates	1 Year	(2,016)	1,982
Six months post retirement facility			
Discount rate	1%	(21,112)	24,137
Future salary increase	1%	23,911	(21,288)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the balance sheet.

40.6.7 Duration of defined benefit obligation

	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility
The weighted average duration of the defined benefit obligation is	8 Years	16 Years	12 Years	5 Years	9 Years

40.6.8 Estimated expenses to be charged to profit and loss account for the year ending June 30, 2015

Based on the actuarial advice, the management estimates that charge / (reversal) in respect of defined benefit plans for the year ending June 30, 2015 would be as follows:

	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
-----Rupees in '000'-----						
Current service cost	276,996	4,417	100,183	12,345	19,566	413,507
Contributions by employees	-	-	-	(3,850)	-	(3,850)
Interest cost on defined benefit obligation	2,136,630	2,398	678,000	37,751	32,587	2,887,366
Amount chargeable to profit and loss account	2,413,626	6,815	778,183	46,246	52,153	3,297,023

40.6.9 Employees' compensated absences

The Bank's liability for employees' compensated absences determined through an actuarial valuation carried out under the Projected Unit Credit Method amounted to Rs. 2,137.72 million (2013 : Rs. 1,633.04 million). An amount of Rs. 644.68 million (2013: Rs. 412.46 million) has been charged to the profit and loss account in the current period based on the actuarial advice. Expected charge in respect of the scheme for the year ending June 30, 2015 would be Rs 430.06 million. The benefits paid during the year amounted to Rs. 140 million (2013: Rs 75.43 million).

	2014 ------(Rupees in '000)-----	2013
41. PROFIT FOR THE YEAR AFTER NON-CASH AND OTHER ITEMS		
Profit for the year	311,814,840	235,891,820
Adjustments for:		
Depreciation	1,398,305	1,380,262
Amortisation of intangible assets	14,881	14,946
Provision / (reversal) for:		
- retirement benefits and employees' compensated absences	3,220,256	2,823,186
- loans and advances	-	(1,057,083)
- claims	1,489	(550,880)
- other doubtful assets	32,835	10,303
- diminution in value of investments	(150,000)	677,892
Loss / (gain) on disposal of property, and equipment	20,295	(159)
(Gain) / loss on disposal of investments	(31,618,976)	276
Effect of exchange (gain) / loss on cash and cash equivalents	(2,701,106)	31,235,122
Dividend income	(12,127,927)	(16,480,789)
	<u>269,904,892</u>	<u>253,944,896</u>
42. CASH AND CASH EQUIVALENTS		
Local currency	417,880	924,997
Foreign currency accounts and investments	857,163,502	536,843,668
Earmarked foreign currency balances	7,453,502	3,849,637
Special Drawing Rights of the IMF	82,057,077	85,246,487
	<u>947,091,961</u>	<u>626,864,789</u>
43. RELATED PARTY TRANSACTIONS		

The Bank enters into transactions with related parties in its normal course of business. Related parties include the Federal Government as major shareholder of the Bank, Provincial Governments, Government of Azad Jammu and Kashmir, Gilgit-Baltistan Administration Authority, Government controlled enterprises / entities, retirement benefit plans, directors and key management personnel of the Bank.

43.1 Governments and related entities

The Bank is acting as an agent of the Federal Government and is responsible for functions conferred upon as disclosed in note 1 to these financial statements. Balances outstanding from and transaction with the Federal and Provincial Governments and related entities not disclosed elsewhere in the financial statements are given below:

	2014	2013
	------(Rupees in '000)-----	
<i>Transactions during the year</i>		
- Creation of MRTBs	6,162,939,603	3,882,294,001
- Retirement / rollover of MRTBs	5,585,849,001	3,366,761,383
- Commission income from sale of Market Treasury Bills, issuance of prize bonds, national saving certificates and management of public debt (refer note 34.1).		

43.2 Subsidiaries of the Bank

Material transactions with the subsidiaries have already been disclosed in the financial statements in note 37.1 and 40. The subsidiaries of the Bank and their primary activities are as follows:

43.2.1 SBP Banking Services Corporation ("the Corporation") - wholly owned subsidiary

It is responsible for carrying out certain statutory and administrative functions and activities principally relating to public dealing on behalf of the State Bank of Pakistan.

43.2.2 National Institute of Banking and Finance (Guarantee) Limited ("the Institute") - wholly owned subsidiary

The Institute is engaged in providing education and training in the field of banking, finance and allied areas.

43.3 Remuneration to key management personnel

Key management personnel of the Bank include members of the Central Board of Directors of the Bank, Governor of the Bank, Deputy Governors of the Bank and other executives of the Bank who have responsibility for planning, directing and controlling the activities of the Bank. Fee of the non-executive member of the Central Board of Directors is determined by the Central Board. According to section 10 of the State Bank of Pakistan Act, 1956, the remuneration of the Governor is determined by the President of Pakistan. Deputy Governors are appointed and their salaries are fixed by the Federal Government. Details of remuneration of key management personnel of the Bank are as follows:

	2014	2013
	------(Rupees in '000)-----	
Short-term employee benefit	194,413	166,273
Post-employment benefit	64,227	91,685
Loans disbursed during the year	30,221	35,948
Loans repaid during the year	27,253	26,615
Directors' fees	9,854	3,345

Short-term benefits include salary and benefits, medical benefits and free use of Bank maintained cars in accordance with their entitlements. Post employment benefits include gratuity, pension, benevolent fund, post retirement medical benefits and six months post retirement facility.

44. RISK MANAGEMENT POLICIES

The Bank is primarily subject to interest / mark-up rate, credit, currency and liquidity risks. The policies and procedures for managing these risks are outlined in notes 44.1 to 44.10. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and management of these risks.

44.1 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the Bank's portfolio is monitored, reviewed and analysed by the appropriate officials and the exposure is controlled through counterparty and credit limits. Counterparties are allocated to a particular class based mainly on their credit rating. Foreign currency placements are made in approved currencies and government securities. Loans and advances to scheduled banks and financial institutions are usually secured either by Government guarantees or by demand promissory notes. Geographical exposures are controlled by country limits and are updated as and when necessary with all limits formally reviewed on a periodic basis. The Bank's exposure to credit risk associated with foreign investments is managed by monitoring compliance with investment limits for counterparties. The Bank's credit risk mainly lies with exposure towards government sector and financial institutions.

44.2 Concentrations of risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. The Bank's significant concentrations arising from financial instruments at the balance sheet date without taking any collateral held or other credit enhancements is shown below:

44.2.1 Geographical analysis

	2014						
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others	Grand Total
----- (Rupees in '000) -----							
Financial assets							
Local currency - coins	417,880	-	-	-	-	-	417,880
Foreign currency accounts and investments	44,292,746	222,323,208	414,828,024	252,786,760	29,450,055	-	963,680,793
Earmarked foreign currency balance	7,453,502	-	-	-	-	-	7,453,502
Special Drawing Rights of International Monetary Fund	-	-	82,057,077	-	-	-	82,057,077
Reserve tranche with the International Monetary Fund							
Fund under quota arrangements	-	-	18,194	-	-	-	18,194
Securities purchased under agreement to resell	-	-	-	-	-	-	-
Current accounts of Governments	802,315	-	-	-	-	-	802,315
Current account with National Institute of Banking and Finance (Guarantee) Limited	167,001	-	-	-	-	-	167,001
Investments - local	3,154,326,379	-	-	-	-	-	3,154,326,379
Securities given as collateral under repurchase agreements	18,064,500	-	-	-	-	-	18,064,500
Loans, advances and bills of exchange	297,974,259	-	-	-	-	-	297,974,259
Assets held with the Reserve Bank of India	-	1,503,318	-	-	-	-	1,503,318
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	7,957,658	-	-	-	-	7,957,658
Other assets	1,373,721	5,510	13,483	43,804	4,256	16,025	1,456,799
Total financial assets	3,524,872,303	231,789,694	496,916,778	252,830,564	29,454,311	16,025	4,535,879,675
	2013						
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others	Grand Total
----- (Rupees in '000) -----							
Financial assets							
Local currency - coins	924,997	-	-	-	-	-	924,997
Foreign currency accounts and investments	782,995	197,942,095	290,536,516	143,656,828	9,039,651	-	641,958,085
Earmarked foreign currency balance	3,849,637	-	-	-	-	-	3,849,637
Special Drawing Rights of International Monetary Fund	-	-	85,246,487	-	-	-	85,246,487
Reserve tranche with the International Monetary Fund							
Fund under quota arrangements	-	-	17,755	-	-	-	17,755
Securities purchased under agreement to resell	198,787,435	-	-	-	-	-	198,787,435
Current accounts of Governments	5,990,933	-	-	-	-	-	5,990,933
Current account with National Institute of Banking and Finance (Guarantee) Limited	175,399	-	-	-	-	-	175,399
Investments - local	2,490,610,318	-	-	-	-	-	2,490,610,318
Securities given as collateral under repurchase agreements	-	-	-	-	-	-	-
Loans, advances and bills of exchange	328,590,310	-	-	-	-	-	328,590,310
Assets held with the Reserve Bank of India	-	1,470,483	-	-	-	-	1,470,483
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	7,397,038	-	-	-	-	7,397,038
Other assets	551,741	-	-	-	-	-	551,741
Total financial assets	3,030,263,765	206,809,616	375,800,758	143,656,828	9,039,651	-	3,765,570,618

44.2.2 Industrial analysis

	2014						
	Sovereign	Supranational	Public Sector Entities	Corporate	Banks & Financial Institutions	Others	Grand Total
	(Rupees in '000)						
Financial assets							
Local currency - coins	417,880	-	-	-	-	-	417,880
Foreign currency accounts and investments	436,111,016	209,580,459	1,243,310	-	303,928,350	12,817,658	963,680,793
Earmarked foreign currency balance	7,453,502	-	-	-	-	-	7,453,502
Special Drawing Rights of International Monetary Fund	-	82,057,077	-	-	-	-	82,057,077
Reserve tranche with the International Monetary Fund under quota arrangements	-	18,194	-	-	-	-	18,194
Securities purchased under agreement to resell	-	-	-	-	-	-	-
Current accounts of Governments	802,315	-	-	-	-	-	802,315
Current account with National Institute of Banking and Finance (Guarantee) Limited	-	-	167,001	-	-	-	167,001
Investments - local	2,918,510,357	-	1,029,260	-	234,786,762	-	3,154,326,379
Securities given as collateral under repurchase agreements	18,064,500	-	-	-	-	-	18,064,500
Loans, advances and bills of exchange	3,266,166	-	96,518,615	-	190,937,563	7,251,915	297,974,259
Assets held with the Reserve Bank of India	1,503,318	-	-	-	-	-	1,503,318
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,957,658	-	-	-	-	-	7,957,658
Other assets	649,500	29,986	4	680	55,158	721,471	1,456,799
Total financial assets	3,394,736,212	291,685,716	98,958,190	680	729,707,833	20,791,044	4,535,879,675

	2013						
	Sovereign	Supranational	Public Sector Entities	Corporate	Banks & Financial Institutions	Others	Grand Total
	(Rupees in '000)						
Financial assets							
Local currency - coins	924,997	-	-	-	-	-	924,997
Foreign currency accounts and investments	423,591,489	15,045,390	1,965,963	-	198,197,466	3,157,777	641,958,085
Earmarked foreign currency balance	3,849,637	-	-	-	-	-	3,849,637
Special Drawing Rights of International Monetary Fund	-	85,246,487	-	-	-	-	85,246,487
Reserve tranche with the International Monetary Fund under quota arrangements	-	17,755	-	-	-	-	17,755
Securities purchased under agreement to resell	-	-	-	-	198,787,435	-	198,787,435
Current accounts of Governments	5,990,933	-	-	-	-	-	5,990,933
Current account with National Institute of Banking and Finance (Guarantee) Limited	-	-	175,399	-	-	-	175,399
Investments - local	2,322,414,269	-	1,029,260	-	167,166,789	-	2,490,610,318
Securities given as collateral under repurchase agreements	-	-	-	-	-	-	-
Loans, advances and bills of exchange	18,724,135	-	101,437,983	-	201,618,050	6,810,142	328,590,310
Assets held with the Reserve Bank of India	1,470,483	-	-	-	-	-	1,470,483
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,397,038	-	-	-	-	-	7,397,038
Other assets	20,411	-	-	-	-	531,330	551,741
Total financial assets	2,784,383,392	100,309,632	104,608,605	-	765,769,740	10,499,249	3,765,570,618

44.3 CREDIT EXPOSURE BY CREDIT RATING

The credit quality of financial assets is managed by the Bank using external credit ratings. The table below shows the credit quality by class of assets for all financial assets that are neither past due nor impaired as at the reporting date and are exposed to credit risk, based on the rating of external rating agencies. The Bank uses lower of the credit rating of Moody's, Standard & Poor's and Fitch to categorise its financial assets in foreign currency accounts and investments. For domestic financial assets, credit rating of JCR-VIS and PACRA are used.

	2014						
	Sovereign (44.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated
	(Rupees in '000)						
Financial assets							
Local currency - coins	417,880	-	-	-	-	-	-
Foreign currency accounts and investments	-	133,455,201	535,253,368	244,924,046	8,996,992	39,377,607	1,673,579
Earmarked foreign currency balance	-	-	-	-	-	-	7,453,502
Special Drawing Rights of International Monetary Fund	-	-	-	-	-	-	82,057,077
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	18,194
Securities purchased under agreement to resell	-	-	-	-	-	-	-
Current accounts of Governments	802,315	-	-	-	-	-	-
Current account with National Institute of Banking and Finance (Guarantee) Limited	-	-	-	-	-	-	167,001
Investments - local	2,918,510,357	215,297,625	17,839,242	75,000	-	-	2,604,155
Securities given as collateral under repurchase agreements	18,064,500	-	-	-	-	-	-
Loans, advances and bills of exchange	3,266,166	104,898,677	137,060,183	29,929,057	1,899,528	-	20,920,648
Assets held with the Reserve Bank of India	-	-	-	-	1,503,318	-	-
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	-	-	-	7,957,658	-	-
Other assets	-	18,391	25,445	27,647	-	-	1,385,316
Total financial assets	2,941,061,218	453,669,894	690,178,238	274,955,750	20,357,496	39,377,607	116,279,472
							4,535,879,675
	2013						
	Sovereign (44.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated
	(Rupees in '000)						
Financial assets							
Local currency - coins	924,997	-	-	-	-	-	-
Foreign currency accounts and investments	-	96,757,175	324,637,666	177,966,556	3,356,803	38,524,639	715,246
Earmarked foreign currency balance	-	-	-	-	-	-	3,849,637
Special Drawing Rights of International Monetary Fund	-	-	-	-	-	-	85,246,487
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	17,755
Securities purchased under agreement to resell	-	173,342,118	-	24,555,780	293,701	-	595,836
Current accounts of Governments	5,990,933	-	-	-	-	-	-
Current account with National Institute of Banking and Finance (Guarantee) Limited	-	-	-	-	-	-	175,399
Investments - local	2,322,414,269	130,669,450	34,847,444	75,000	-	-	2,604,155
Securities given as collateral under repurchase agreements	-	-	-	-	-	-	-
Loans, advances and bills of exchange	18,724,135	26,526,663	173,562,975	86,830,141	2,493,809	-	20,452,587
Assets held with the Reserve Bank of India	-	-	-	-	1,470,483	-	-
Balances due from the Governments of India and Bangladesh (former East Pakistan)	-	-	-	-	7,397,038	-	-
Other assets	-	-	-	-	-	-	551,741
Total financial assets	2,348,054,334	427,295,406	533,048,085	289,427,477	15,011,834	38,524,639	114,208,843
							3,765,570,618

44.3.1 Government securities and balances are rated as sovereign. The international rating of Pakistan is B- (as per Fitch).

44.3.2 The collateral held as security against financial assets to cover the credit risk are disclosed in the respective notes.

44.4 Details of financial assets impaired and provision recorded there against:

	Gross Amount		Impairment Provision	
	2014	2013	2014	2013
	(Rupees in '000)			
Available for sale investment - unlisted	4,712,706	4,862,706	856,863	1,006,863
Loans and advances - agriculture sector	18,587	18,587	18,587	18,587
Loans and advances - industrial sector	1,054,285	1,054,285	1,054,285	1,054,285
Loans and advances - others	4,267,953	4,267,953	4,267,953	4,267,953
Assets held with the Reserve Bank of India	1,503,318	1,470,483	1,503,318	1,470,483
Balances due from the Governments of India and Bangladesh (former East Pakistan)	8,380,885	7,820,265	8,380,885	7,820,265

44.5 LIQUIDITY ANALYSIS WITH INTEREST / MARK-UP RATE RISK

44.5.1 Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. The Bank has adopted appropriate policies to minimise its exposure to this risk.

	2014						Grand Total
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Non-derivatives assets:							
Local currency - coins	-	-	-	417,880	-	417,880	417,880
Foreign currency accounts and investments	744,917,914	162,525,387	907,443,301	51,903,114	-	51,903,114	959,346,415
Earmarked foreign currency balance	-	-	-	7,453,502	-	7,453,502	7,453,502
Special Drawing Rights of International Monetary Fund	82,057,077	-	82,057,077	-	-	-	82,057,077
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	18,194	-	18,194	18,194
Securities purchased under agreement to resell	-	-	-	-	-	-	-
Current accounts of Governments	802,100	-	802,100	215	-	215	802,315
Current account with National Institute of Banking and Finance (Guarantee) Limited	-	-	-	167,001	-	167,001	167,001
Investments - local	2,834,265,102	2,740,000	2,837,005,102	81,505,255	235,816,022	317,321,277	3,154,326,379
Securities given as collateral under repurchase agreements	17,500,000	-	17,500,000	564,500	-	564,500	18,064,500
Loans, advances and bills of exchange	217,029,835	61,398,114	278,427,949	13,070,996	6,475,314	19,546,310	297,974,259
Assets held with the Reserve Bank of India	-	-	-	1,503,318	-	1,503,318	1,503,318
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,097,281	-	7,097,281	860,377	-	860,377	7,957,658
Other assets	-	-	-	1,456,799	-	1,456,799	1,456,799
	3,903,669,309	226,663,501	4,130,332,810	158,921,151	242,291,336	401,212,487	4,531,545,297
Derivatives assets							
Foreign currency accounts and investments	-	-	-	4,383,623	-	4,383,623	4,383,623
Grand Total	3,903,669,309	226,663,501	4,130,332,810	163,304,774	242,291,336	405,596,110	4,535,928,920
Financial liabilities							
Bank notes issued	-	-	-	2,309,127,023	-	2,309,127,023	2,309,127,023
Bills payable	-	-	-	642,102	-	642,102	642,102
Current accounts of the Governments *	(12,705,375)	-	(12,705,375)	544,511,918	-	544,511,918	531,806,543
Current account with SBP Banking Services Corporation- a subsidiary	-	-	-	37,876,846	-	37,876,846	37,876,846
Securities sold under an agreement to repurchase	17,194,695	-	17,194,695	-	-	-	17,194,695
Payable under bilateral currency swaps agreements	105,248,797	-	105,248,797	-	-	-	105,248,797
Deposits of banks and financial institutions	10,807	-	10,807	530,735,549	-	530,735,549	530,746,356
Other deposits and accounts	48,293,741	34,581,610	82,875,351	62,534,631	-	62,534,631	145,409,982
Payable to International Monetary Fund	66,155,064	315,740,456	381,895,520	3,099,222	-	3,099,222	384,994,742
Other liabilities	-	-	-	55,648,615	-	55,648,615	55,648,615
	224,197,729	350,322,066	574,519,795	3,544,175,906	-	3,544,175,906	4,118,695,701
Derivatives liabilities							
Foreign currency accounts and investments	49,245	-	49,245	-	-	-	49,245
	224,246,974	350,322,066	574,569,040	3,544,175,906	-	3,544,175,906	4,118,744,946
On balance sheet gap (a)	3,679,422,335	(123,658,565)	3,555,763,770	(3,380,871,132)	242,291,336	(3,138,579,796)	417,183,974
Foreign currency forward and swap contracts - sale	-	-	-	(371,895,229)	-	(371,895,229)	(371,895,229)
Foreign currency forward and swap contracts - purchase	-	-	-	201,199,235	-	201,199,235	201,199,235
Futures - sale	-	-	-	(15,854,429)	-	(15,854,429)	(15,854,429)
Futures - purchase	-	-	-	10,826,777	-	10,826,777	10,826,777
Off balance sheet gap	-	-	-	(175,723,646)	-	(175,723,646)	(175,723,646)
Total yield / interest risk sensitivity gap	3,679,422,335	(123,658,565)	3,555,763,770	(3,205,147,486)	242,291,336	(2,962,856,150)	592,907,620
Cumulative yield / interest risk sensitivity gap	3,679,422,335	3,555,763,770	7,111,527,540	3,906,380,054	4,148,671,390	1,185,815,240	1,185,815,240
Contingent liabilities in respect of guarantees given	-	-	-	-	31,671,430	31,671,430	31,671,430

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

* The Bank has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

	2013						
	Interest / mark-up bearing			Non interest / mark-up bearing			Grand
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in '000)						
Financial assets							
Non-derivatives assets:							
Local currency - coins	-	-	-	924,997	-	924,997	924,997
Foreign currency accounts and investments	341,867,648	195,822,140	537,689,788	101,957,023	-	101,957,023	639,646,811
Earmarked foreign currency balance	-	-	-	3,849,637	-	3,849,637	3,849,637
Special Drawing Rights of International Monetary Fund	85,246,487	-	85,246,487	-	-	-	85,246,487
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	17,755	-	17,755	17,755
Securities purchased under agreement to resell	198,787,435	-	198,787,435	-	-	-	198,787,435
Current accounts of the Governments	5,932,762	-	5,932,762	58,171	-	58,171	5,990,933
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	-	-	-	175,399	-	175,399	175,399
Investments - local	2,274,674,501	2,740,000	2,277,414,501	44,999,768	168,196,049	213,195,817	2,490,610,318
Securities given as collateral under repurchase agreements	-	-	-	-	-	-	-
Loans, advances and bills of exchange	262,942,358	45,353,370	308,295,728	14,208,327	6,086,255	20,294,582	328,590,310
Assets held with the Reserve Bank of India	-	-	-	1,470,483	-	1,470,483	1,470,483
Balances due from the Governments of India and Bangladesh (former East Pakistan)	6,536,661	-	6,536,661	860,377	-	860,377	7,397,038
Other assets	-	-	-	551,741	-	551,741	551,741
	3,175,987,852	243,915,510	3,419,903,362	169,073,678	174,282,304	343,355,982	3,763,259,344
Derivatives assets							
Foreign currency accounts and investments	1,181,385	-	1,181,385	1,129,889	-	1,129,889	2,311,274
Grand Total	3,177,169,237	243,915,510	3,421,084,747	170,203,567	174,282,304	344,485,871	3,765,570,618
Financial liabilities							
Bank notes issued	-	-	-	2,041,361,303	-	2,041,361,303	2,041,361,303
Bills payable	-	-	-	603,922	-	603,922	603,922
Current accounts of the Governments *	(22,878,933)	-	(22,878,933)	156,188,695	-	156,188,695	133,309,762
Current account with SBP Banking Services Corporation - a subsidiary	-	-	-	25,984,493	-	25,984,493	25,984,493
Securities sold under an agreement to repurchase	-	-	-	-	-	-	-
Payable under bilateral currency swap agreement	81,614,727	-	81,614,727	-	-	-	81,614,727
Deposits of banks and financial institutions	10,807	-	10,807	475,636,994	-	475,636,994	475,647,801
Other deposits and accounts	50,200,749	45,374,237	95,574,986	60,267,270	-	60,267,270	155,842,256
Payable to International Monetary Fund	209,367,032	211,611,516	420,978,548	8,247,380	2,568,075	10,815,455	431,794,003
Other liabilities	-	-	-	84,503,942	-	84,503,942	84,503,942
	318,314,382	256,985,753	575,300,135	2,852,793,999	2,568,075	2,855,362,074	3,430,662,209
On balance sheet gap (a)	2,858,854,855	(13,070,243)	2,845,784,612	(2,682,590,432)	171,714,229	(2,510,876,203)	334,908,409
Foreign currency forward and swap contracts - sale	-	-	-	(420,921,081)	-	(420,921,081)	(420,921,081)
Foreign currency forward and swap contracts - purchase	-	-	-	423,161,966	-	423,161,966	423,161,966
Futures - sale	-	-	-	(14,044,952)	-	(14,044,952)	(14,044,952)
Futures - purchase	-	-	-	15,806,824	-	15,806,824	15,806,824
Off balance sheet gap	-	-	-	4,002,757	-	4,002,757	4,002,757
Total yield / interest risk sensitivity gap	2,858,854,855	(13,070,243)	2,845,784,612	(2,686,593,189)	171,714,229	(2,514,878,960)	330,905,652
Cumulative yield / interest risk sensitivity gap	2,858,854,855	2,845,784,612	5,691,569,224	3,004,976,035	3,176,690,264	6,611,811,304	6,611,811,304
Contingent liabilities in respect of guarantees given	-	-	-	-	44,341,485	44,341,485	44,341,485

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

* The Bank has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

44.5.2 The effective interest / markup rate for the monetary financial assets and liabilities are mentioned in their respective notes to the financial statements.

44.6 Interest rate risk

44.6.1 Cash flow interest rate risk

Cash flow interest rate risk is the risk of loss arising from changes in variable interest rates. The sensitivity analysis below have been determined based on the exposure to interest rates for floating rate assets and liabilities, the analysis is prepared assuming the amount of average assets and liabilities outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 10 basis points higher/ lower and all other variables were held constant, the bank's profit for the year ended June 30, 2014 would increase / decrease by Rs 375.09 million (2013: Rs. 483.81 million). This is mainly attributable to the Bank's exposure to interest rates on its variable rate instruments.

The Bank does not keep a sizable portion of its foreign currency accounts and investments in floating rate securities, therefore the profit / loss attributable to the Bank's exposure to interest rate on its variable rate instruments is negligible.

44.6.2 Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank is exposed to fair value interest rate risk on its fixed income securities classified as 'financial assets at fair value through profit or loss'. To manage its fair value interest rate risk arising from investments in these securities, the management adopts practices mentioned in note 44.10.

As at June 30, 2014, a 10 basis points shift in market value, mainly as a result of change in interest rates with all other variables held constant, would result in profit for the year to increase by Rs 334.71 million (2013: Rs 1,359.80 million) or decrease by Rs 333 million (2013: Rs 1,372.79 million) mainly as a result of a increase or decrease in the fair value of fixed rate financial assets classified as financial asset at fair value through profit or loss.

44.7 Currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserves management function and the overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Bank's compliance with the limits established for foreign currency positions is being regularly monitored by the management.

The Bank also holds from time to time, foreign currency assets and liabilities that arise from the implementation of domestic monetary policies. Any foreign currency exposure relating to these implementation activities are hedged through the use of foreign currency forwards, swaps and other transactions.

The Bank also enters into forward foreign exchange contracts with the commercial banks and financial institutions to hedge against the currency risk on foreign currency transactions.

The sensitivity analyses calculates the effect of reasonably possible movement of the currency rate against Pak Rupee, with all other variables held constant, on the profit and loss account and equity. If the Rupee had weakened / strengthened 1 percent against the principal currencies to which the Bank had significant exposure as at June 30, 2014 with all other variables constant profit for the year would have been Rs. 3,203.62 million higher / lower (2013: 187.36 million). Net foreign currency exposure of the Bank is as follows:

	2014	2013
	----- (Rupees in '000) -----	
US Dollars	393,850,571	12,434,047
Pound	(23,123,079)	(11,027,854)
Chinese Yuan	704,551	24,426,608
EURO	(100,923,398)	(107,895,687)
Japanese Yen	8,045,452	(10,772,307)
Arab Emirates Dirham	11,999,698	16,298,429
Australian Dollar	19,458,036	41,037,259
Canadian Dollar	8,570,318	12,692,821
Others	1,779,613	4,070,697
	<u>320,361,762</u>	<u>(18,735,987)</u>

Net exposure in Special Drawing Rights (SDR) is allocated to its four basket currencies i.e. USD, GBP, EURO and JPY in the ratio of their percentage allocated by IMF for SDR basket.

The composition of the Bank's financial instruments and the correlation thereof to different variables is expected to change over time. Accordingly, the sensitivity analyses in note 44.6 and 44.7 prepared as of June 30, 2014 are not necessarily indicative of the effects on the Bank's profit and loss of future movements in different variables.

44.8 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Bank is exposed to equity securities price risk because of investment in listed equity securities by the Bank classified as available-for-sale. These investments are held as per the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. Accordingly, price risk on listed equity securities can not be managed by the Bank.

In case of 5% increase or decrease in KSE 100 index on June 30, 2014, other comprehensive income would increase or decrease by Rs 2,393.87 million (2013: Rs. 1,579.94 million) and equity of the Bank would increase or decrease by the same amount as a result of gains / (losses) on equity securities classified as available-for-sale.

The analysis is based on the assumption that the equity index would increase or decrease by 5% with all other variables held constant and all the Bank's equity instruments move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index. The composition of the Bank's investment portfolio and the correlation thereof to the KSE index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Bank's equity of future movements in the level of KSE 100 index.

44.9 Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. In order to reduce the level of liquidity risk arising out of the local currency activities, the Bank manages the daily liquidity position of the banking system including advancing and withdrawal of funds from the system for smoothening out daily peaks and troughs.

The risk arising out of the Bank's obligations for foreign currency balances or deposits is managed through available reserves generated mainly from borrowings and open market operations. The maturity profile of Bank's financial assets and financial liabilities is given in note 44.5.1.

44.10 Portfolio risk management

The Bank has appointed external managers to invest a part of the foreign exchange reserves in international fixed income securities. The external managers are selected after conducting a thorough due diligence by the Bank and externally hired investment consultants, and appointed after the approval of the Central Board. The mandates awarded to the managers require them to outperform the benchmarks which are based on fixed income global aggregate indices. The benchmarks are customised to exclude certain securities, currencies, and maturities to bring it to an acceptable level of risk and within the Bank's approved risk appetite. Managers are provided investment guidelines within which they have to generate excess returns over the benchmark. Safe custody of the portfolio is provided through carefully selected global custodian who is independent of the portfolio managers. The custodian also provides valuation, compliance, corporate actions and recovery, and other value added services which are typically provided by such custodian. The valuations provided by the custodian are reconciled with the portfolio managers, and recorded accordingly.

45. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, and is usually determined by the quoted market price. The following tables summarizes the carrying amounts and fair values of financial assets and liabilities.

	Carrying Value		Fair value	
	2014	2013	2014	2013
	------(Rupees in '000)-----			
Financial assets				
Local currency - coins	417,880	924,997	417,880	924,997
Foreign currency accounts and investments	963,680,793	641,958,085	963,680,793	641,958,085
Earmarked foreign currency balances	7,453,502	3,849,637	7,453,502	3,849,637
Special Drawing Rights of the International Monetary Fund	82,057,077	85,246,487	82,057,077	85,246,487
Reserve tranche with the International Monetary Fund under quota arrangements	18,194	17,755	18,194	17,755
Securities purchased under agreement to resell	-	198,787,435	-	198,787,435
Current accounts of Governments	802,315	5,990,933	802,315	5,990,933
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	167,001	175,399	167,001	175,399
Investments - local	3,154,326,379	2,490,610,318	3,154,326,379	2,490,610,318
Securities given as collateral under repurchase agreement	18,064,500	-	18,064,500	-
Loans, advances and bills of exchange	297,974,259	328,590,310	297,974,259	328,590,310
Assets held with the Reserve Bank of India	1,503,318	1,470,483	1,503,318	1,470,483
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,957,658	7,397,038	7,957,658	7,397,038
Other assets	1,456,799	551,741	1,456,799	551,741

	Carrying Value		Fair value	
	2014	2013	2014	2013
	------(Rupees in '000)-----			
Financial Liability				
Bank notes in circulation	2,309,127,023	2,041,361,303	2,309,127,023	2,041,361,303
Bills payable	642,102	603,922	642,102	603,922
Current accounts of Governments	531,806,543	133,309,762	531,806,543	133,309,762
Current account with SBP Banking Services Corporation	37,876,846	25,984,493	37,876,846	25,984,493
Securities sold under agreement to repurchase	17,194,695	-	17,194,695	-
Payable under bilateral currency swap agreement	105,248,797	81,614,727	105,248,797	81,614,727
Deposits of banks and financial institutions	530,746,356	475,647,801	530,746,356	475,647,801
Other deposits and accounts	145,409,982	155,842,256	145,409,982	155,842,256
Payable to the International Monetary Fund	384,994,742	431,794,003	384,994,742	431,794,003
Other liabilities	55,648,615	84,503,942	55,648,615	84,503,942

45.1 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2014			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Recurring Fair Value Measurements				
Financial Assets				
Foreign currency accounts and investments - held for trading	175,315,946	-	-	175,315,946
Investments - local	230,812,492	-	-	230,812,492
Non-Financial Assets				
Operating fixed assets (Land and buildings)	-	20,137,447	-	20,137,447
Gold reserves held by the Bank	269,307,930	-	-	269,307,930
	675,436,368	20,137,447	-	695,573,815
	2013			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Recurring Fair Value Measurements				
Financial Assets				
Foreign currency accounts and investments - held for trading	286,947,632	-	-	286,947,632
Investments - local	163,192,519	-	-	163,192,519
Non-Financial Assets				
Operating fixed assets (Land and buildings)	-	21,285,762	-	21,285,762
Gold reserves held by the Bank	246,096,839	-	-	246,096,839
	696,236,990	21,285,762	-	717,522,752

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of financial assets in note 7.1 related to foreign currency accounts and investments and investment in listed shares in note 12.2 classified as available-for-sale.

(b) Financial instruments in level 2

Currently, no financial instruments are classified in level 2.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

45.2 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Operating fixed assets (Land and building)	The fair value of land and building are derived using the sale comparison approach. The sales value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is selling in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, where ever required. Please refer note 16.2 highlighting the year of valuation and external valuer name.

46. Classification of financial instruments

	2014				
	Loans and receivables	Assets at fair value through profit or loss	Held to maturity	Available for sale	Total
	------(Rupees in '000)-----				
Financial assets					
Local currency - coins	417,880	-	-	-	417,880
Foreign currency accounts and investments	682,558,180	175,315,946	105,806,667	-	963,680,793
Earmarked foreign currency balances	7,453,502	-	-	-	7,453,502
Special Drawing Rights of the International Monetary Fund	82,057,077	-	-	-	82,057,077
Reserve tranche with the International Monetary Fund under quota arrangements	18,194	-	-	-	18,194
Securities purchased under agreement to resell	-	-	-	-	-
Current accounts of Governments	802,315	-	-	-	802,315
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	167,001	-	-	-	167,001
Investments - local	2,918,510,357	-	-	235,816,022	3,154,326,379
Securities given as collateral under repurchase agreement	18,064,500	-	-	-	18,064,500
Loans, advances and bills of exchange	297,974,259	-	-	-	297,974,259
Assets held with the Reserve Bank of India	1,503,318	-	-	-	1,503,318
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,957,658	-	-	-	7,957,658
Other assets	1,456,799	-	-	-	1,456,799
	------(Rupees in '000)-----				
	2013				
	Loans and receivables	Assets at fair value through profit or loss	Held to maturity	Available for sale	Total
	------(Rupees in '000)-----				
Financial assets					
Local currency - coins	924,997	-	-	-	924,997
Foreign currency accounts and investments	250,589,122	286,947,632	104,421,331	-	641,958,085
Earmarked foreign currency balances	3,849,637	-	-	-	3,849,637
Special Drawing Rights of the International Monetary Fund	85,246,487	-	-	-	85,246,487
Reserve tranche with the International Monetary Fund under quota arrangements	17,755	-	-	-	17,755
Securities purchased under agreement to resell	198,787,435	-	-	-	198,787,435
Current accounts of Governments	5,990,933	-	-	-	5,990,933
Current account with National Institute of Banking and Finance (Guarantee) Limited - a subsidiary	175,399	-	-	-	175,399
Investments - local	2,322,414,269	-	-	168,196,049	2,490,610,318
Securities given as collateral under repurchase agreement	-	-	-	-	-
Loans, advances and bills of exchange	328,590,310	-	-	-	328,590,310
Assets held with the Reserve Bank of India	1,470,483	-	-	-	1,470,483
Balances due from the Governments of India and Bangladesh (former East Pakistan)	7,397,038	-	-	-	7,397,038
Other assets	551,741	-	-	-	551,741

	2014		
	Carried at amortised cost	Liabilities at fair value through profit or loss	Total
	------(Rupees in '000)-----		
Financial liabilities			
Bank notes in circulation	2,309,127,023	-	2,309,127,023
Bills payable	642,102	-	642,102
Current accounts of Governments	531,806,543	-	531,806,543
Current account with SBP Banking Services Corporation - a subsidiary	37,876,846	-	37,876,846
Securities sold under agreement to repurchase	17,194,695	-	17,194,695
Payable under bilateral currency swap agreement	105,248,797	-	105,248,797
Deposits of banks and financial institutions	530,746,356	-	530,746,356
Other deposits and accounts	145,409,982	-	145,409,982
Payable to the International Monetary Fund	384,994,742	-	384,994,742
Other liabilities	55,648,615	-	55,648,615
	2013		
	Carried at amortised cost	Liabilities at fair value through profit or loss	Total
	------(Rupees in '000)-----		
Financial liabilities			
Bank notes in circulation	2,041,361,303	-	2,041,361,303
Bills payable	603,922	-	603,922
Current accounts of Governments	133,309,762	-	133,309,762
Current account with SBP Banking Services Corporation - a subsidiary	25,984,493	-	25,984,493
Securities sold under agreement to repurchase	-	-	-
Payable under bilateral currency swap agreement	81,614,727	-	81,614,727
Deposits of banks and financial institutions	475,647,801	-	475,647,801
Other deposits and accounts	155,842,256	-	155,842,256
Payable to the International Monetary Fund	431,794,003	-	431,794,003
Other liabilities	84,503,942	-	84,503,942

47. SUBSEQUENT EVENT

The subsequent events regarding sovereign guaranteed loans to ZTBL and HBFCL are disclosed in note 13.2.1 and 13.2.2 respectively.

48. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 25, 2014 by the Central Board of Directors of the Bank.

49. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current year except for the changes as mentioned in note 3.5.1.

50. GENERAL

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

Ashraf Mahmood Wathra
Governor

Kazi Abdul Muktadir
Deputy Governor

Noman Ahmed Qureshi
Executive Director