BARCLAYS BANK PLC –
PAKISTAN BRANCH OPERATIONS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

pwc

A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the annexed statement of financial position of the Pakistan Branches of Barclays Bank PLC, incorporated in England and Wales with limited liability (the Bank), as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

(a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984);

(b) in our opinion:

  (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984) and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

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

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

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Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: March 28, 2013
Karachi

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BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	4,694,728	3,725,801
Balances with other banks	7	3,711,567	2,649,904
Lendings to financial institutions	8	-	4,038,234
Investments - net	9	19,402,553	23,791,214
Advances - net	10	17,743,892	20,998,397
Operating fixed assets	11	513,034	802,563
Deferred tax assets - net	12	1,173,148	1,287,530
Other assets - net	13	539,345	730,127
		47,778,267	58,023,770
LIABILITIES			
Bills payable	15	521,584	573,408
Borrowings	16	9,291,803	4,437,328
Deposits and other accounts	17	29,957,830	44,664,909
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,182,866	1,423,966
		40,954,083	51,099,611
NET ASSETS		6,824,184	6,924,159
REPRESENTED BY			
Head office capital account	19	10,807,382	9,756,756
Reserves		-	-
Accumulated losses		(3,988,435)	(2,834,839)
		6,818,947	6,921,917
Surplus on revaluation of securities - net of tax	20	5,237	2,242
		6,824,184	6,924,159
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

SHAZAD G. DADA
Chief Executive Officer

ATIF SAEED DAR
Head of Finance

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
Mark-up / return / interest earned	23	4,492,307	5,517,128
Mark-up / return / interest expensed	24	2,733,763	3,507,884
Net mark-up / interest income		1,758,544	2,009,244
Provision against loans and advances - net	10.3	378,341	50,886
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		378,341	50,886
Net mark-up / interest income after provisions		1,380,203	1,958,358
Non mark-up / interest income			
Fee, commission and brokerage income		159,813	229,175
Dividend income		-	-
Income from dealing in foreign currencies		231,193	283,999
Gain on sale of securities	25	-	4,691
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income		7,208	-
Total non mark-up / interest income		398,214	517,865
		1,778,417	2,476,223
Non mark-up / interest expense			
Administrative expenses	26	1,965,680	2,024,219
Other provisions / write offs		-	2,948
Other charges	27	10,681	34,832
Total non mark-up / interest expenses		1,976,361	2,061,999
		(197,944)	414,224
Extra ordinary / unusual items	28	(842,882)	239,139
(Loss) / profit before taxation		(1,040,826)	653,363
Taxation			
- Current		-	-
- Prior years		-	-
- Deferred	29	112,770	208,347
		112,770	208,347
(Loss) / profit after taxation		(1,153,596)	445,016

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

SHAZAD G. DADA
Chief Executive Officer

ATIF SAEED DAR
Head of Finance

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	Rupees in '000	
(Loss) / profit after taxation	(1,153,596)	445,016
Components of comprehensive income not reflected in equity		
Surplus on revaluation of available for sale securities - net of tax	2,995	11,091
Total comprehensive (loss) / income	**(1,150,601)**	**456,107**

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

SHAZAD G. DADA
Chief Executive Officer

ATIF SAEED DAR
Head of Finance

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(1,040,826)	653,363
Adjustments:			
Depreciation	11.2	191,332	207,212
Amortisation	11.3	50,464	35,155
Provision against loans and advances - net	10.3	378,341	50,886
Gain on sale of investments	25	-	(4,691)
(Gain) / loss on sale of operating fixed assets		(149)	345
Impairment on capital work in progress	26	548	20,364
Other provisions and write offs		-	2,948
Extra ordinary / unusual items	28	842,882	(239,139)
		1,463,418	73,080
		422,592	726,443
(Increase) / decrease in operating assets			
Lendings to financial institutions		4,038,234	(2,391,865)
Advances		2,876,164	(3,609,500)
Other assets (excluding advance taxation)		193,576	(74,422)
		7,107,974	(6,075,787)
Increase / (decrease) in operating liabilities			
Bills payable		(51,824)	171,159
Borrowings from financial institutions		4,854,475	(2,755,906)
Deposits and other accounts		(14,707,079)	12,363,031
Other liabilities		(1,076,278)	(243,750)
		(10,980,706)	9,534,534
		(3,450,140)	4,185,190
Income taxes deducted at source		(2,794)	(4,111)
Net cash (used in) / generated from operating activities		(3,452,934)	4,181,079
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		4,393,268	(2,755,088)
Investment in operating fixed assets		28,786	(155,208)
Sale proceeds from disposal of property and equipment		10,844	3,361
Net cash generated from / (used in) investing activities		4,432,898	(2,906,935)
CASH FLOW FROM FINANCING ACTIVITIES			
Remittances received from head office as capital		1,050,626	-
Net cash generated from financing activities		1,050,626	-
Increase in cash and cash equivalents		2,030,590	1,274,144
Cash and cash equivalents at the beginning of the year		6,375,705	5,101,561
Cash and cash equivalents at the end of the year	32	8,406,295	6,375,705

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

SHAZAD G. DADA
Chief Executive Officer

ATIF SAEED DAR
Head of Finance

BARCLAYS BANK PLC - PAKISTAN BRANCHES

(Incorporated in England and Wales with limited liability)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Head office capital account	Accumulated losses	Share based payment contribution reserve	Total
	---------------------------- Rupees in '000 ----------------------------			
Balance as at January 1, 2011	9,756,756	(3,279,855)	-	6,476,901
Changes in equity for 2011				
Comprehensive income after taxation for the year ended December 31, 2011	-	445,016	-	445,016
Contribution by Barclays Bank PLC in respect of share-based payments	-	-	45,189	45,189
Recharged balance payable to Barclays Bank PLC in respect of share-based payments	-	-	(45,189)	(45,189)
Balance as at December 31, 2011	9,756,756	(2,834,839)	-	6,921,917
Changes in equity for 2012				
Remittances received from head office as capital	1,050,626	-	-	1,050,626
Comprehensive income / (loss) after taxation for the year ended December 31, 2012	-	(1,153,596)	-	(1,153,596)
Contribution by Barclays Bank PLC in respect of share-based payments	-	-	42,116	42,116
Recharged balance payable to Barclays Bank PLC in respect of share-based payments	-	-	(42,116)	(42,116)
Balance as at December 31, 2012	10,807,382	(3,988,435)	-	6,818,947

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

SHAZAD G. DADA
Chief Executive Officer

ATIF SAEED DAR
Head of Finance

1 STATUS AND NATURE OF BUSINESS

Barclays Bank PLC, Pakistan Branches (the Bank) operates as a branch of Barclays Bank PLC which is a foreign banking company incorporated and domiciled in England and Wales with limited liability (rated "A+", Long term and "A-1", Short term by Standard & Poor's) and is a member of Barclays PLC Group (rated "A", Long term and "A-1", Short term by Standard & Poor's) which is the ultimate holding company. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates through 7 branches (2011: 15 branches) across Pakistan. The Bank commenced its operations on July 23, 2008. Its registered office in Pakistan is situated at Dawood Centre, M. T. Khan Road, Karachi.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchasing of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sale arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up thereon.

3 STATEMENT OF COMPLIANCE

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 The State Bank of Pakistan vide its BSD Circular No. 7 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of available-for-sale securities (AFS) only, may be included in the 'Statement of Comprehensive Income'. However, the same shall continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

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

3.5 New and amended standards and interpretations that are effective in the current year:

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

3.6 New and amended standards and interpretations issued but not yet effective and not early adopted:

The following amendment to existing standards and interpretations has been published and is mandatory for the Bank's accounting period beginning on or after January 1, 2013 and has not been early adopted by the Bank.

- Presentation of Items of Other Comprehensive Income (Amendment to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendment requires that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment has no impact on the financial statements of the Bank.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.7 Early adoption of standards

The Bank did not early adopt any new or amended standard in 2012.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain investments and derivative financial instruments that have been carried at fair values.

4.2 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i)	Classification and valuation of investments	Notes 5.3 and 9
ii)	Classification and provisioning against advances	Notes 5.4 and 10
iii)	Useful lives and residual values of operating fixed assets	Notes 5.5 and 11
iv)	Income taxes	Notes 5.7 and 12
v)	Provision for restructuring	Notes 5.6, 5.8 and 28
vi)	Share based payments	Notes 5.17 and 31

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of prize bonds, cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of re-purchase agreements (repos) and reverse repurchase agreements (reverse repos) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

(b) Purchase of securities under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

5.3 Investments

5.3.1 Classification

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available-for-sale

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

5.3.2 Regular way contracts

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

5.3.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are recognised in the profit and loss account.

5.3.4 Subsequent measurement

In accordance with the requirements of the State Bank of Pakistan, quoted / government securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available-for-sale', is included in statement of comprehensive income but is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of securities which are classified as 'held for trading', is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost in accordance with the requirements specified by the State Bank of Pakistan.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

5.3.5 Impairment

Impairment loss in respect of investments classified as available-for-sale and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of term finance certificates is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available-for-sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed there from and recognised in the profit and loss account. For investments classified as held to maturity the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments are taken to the profit and loss account currently.

5.4 Advances

Advances are stated net of specific and general provisions. Specific and general provisions against advances are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted-off against advances. Advances are written off when there are no realistic prospects of recovery.

5.5 Operating fixed assets

Property and equipment

Operating Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in an asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and using the straight line method. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Gains and losses on disposal of fixed assets are taken to the profit and loss account.

Intangible assets

Intangible assets, having a finite useful life, are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual values, useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date.

Intangible assets that have an indefinite useful life, for example goodwill, are stated at cost less accumulated impairment losses, if any. They are not subject to amortisation and are tested annually for impairment.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.6 Impairment

The carrying amounts of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying amount exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The resulting impairment loss is taken to the profit and loss account.

5.7 Taxation

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

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also recognises deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises a deferred tax asset / liability on the surplus / deficit on revaluation of securities, which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard 12 - Income Taxes.

5.8 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 resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

5.9 Employee benefits

Short - term benefits

Short-term employee benefits, such as salaries, allowances, and other benefits, are accounted for on an accrual basis over the period which employees have provided services. Bonuses are recognised to the extent that the Bank has a present obligation to its employees and can be measured reliably.

Defined contribution plan

The Bank has established a defined contribution plan for its permanent employees. A defined contribution plan is a plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the benefits relating to employee service in the current and prior periods.

The Bank's share of contributions to defined contribution plan are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction on the future payments is available. Any contribution due at the reporting date is included as a liability.

5.10 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowing / deposits costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of that asset.

5.11 Revenue recognition

Advances and investments

Mark-up income on performing loans and advances and investments is recognised on a time proportion basis. Where investments are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective interest rate method.

Interest or mark-up recoverable on non-performing advances and classified investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the State Bank of Pakistan, except where in the opinion of the management, it would not be prudent to do so.

Fee, commission, and brokerage

Fee, commission and brokerage on letters of credit / guarantee and others are recognised on an accrual basis.

5.12 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.13 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates.

Foreign currency transactions and balances

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

Translation gains and losses

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Commitments

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

5.14 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

5.15 Off-setting

Financial assets and financial liabilities are off-set and the net amount reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for reporting is based on business segments.

a) Business segments

The business activities of the Bank are confined to three segments i.e. trading and sales, retail banking and corporate banking. The products and services offered by these segments are as follows:

Trading and sales

Overall management of treasury operations of the Bank.

Retail banking

Deposits, mortgages, personal installment loans and business installment loans.

Corporate banking

Deposits, trade and lending activities for corporate enterprises.

b) Geographical segments

The operations of the Bank are currently based only in Pakistan.

5.17 Share based payments

The Bank engages in equity settled share-based payment transactions in respect of services received from certain employees. Under these plans, the shares of holding company (Barclays Bank PLC) are granted by the holding company to employees of the Bank. Pursuant to a separate agreement, the Bank makes a cash settlement to the holding company for the value of the share-based incentive awards delivered to the Bank's employees under these plans.

The Bank recognises the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from the holding company. The amount payable to the holding company under the associated obligation is also recognised by debiting the capital contribution in equity.

Fair value of the shares awarded under the stock award program on the grant date is determined with reference to the price quoted on the London Stock Exchange.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2012	2011
		Rupees in '000	
In hand			
Local currency		254,869	223,002
Foreign currencies		639,579	278,441
		894,448	501,443
With State Bank of Pakistan in			
Local currency current account	6.1	2,382,496	1,896,509
Foreign currency current accounts	6.2 & 6.3	358,712	378,922
Foreign currency deposit account	6.4	1,058,932	948,927
		3,800,140	3,224,358
National Prize Bonds		140	-
		4,694,728	3,725,801

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.2 This includes US Dollar settlement account maintained with SBP amounting to Rs 4.116 million (2011: Rs 61.863 million).

6.3 This includes foreign currency cash reserve maintained with the SBP amounting to Rs 354.596 million (2011: Rs 317.059 million) equivalent to at least 5% of the Bank's foreign currency deposits in a non-remunerative account under BSD Circular No. 9 dated December 3, 2007.

6.4 This represents foreign currency cash reserve maintained with the SBP equivalent to at least 15% of the Bank's foreign currency deposits in a remunerative account, under BSD Circular No. 14 dated June 21, 2008. Profit rates on the deposit is prescribed by the SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit amounts during the year.

7 BALANCES WITH OTHER BANKS

	Note	2012	2011
		Rupees in '000	
Inside Pakistan			
- In current accounts		26,624	11,899
Outside Pakistan			
- In current accounts	7.1	3,684,943	2,638,005
		3,711,567	2,649,904

7.1 This includes amount held under arrangements with banks whereby the balances are current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2012	2011
		Rupees in '000	
Call money lendings	8.2	-	1,200,000
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	-	2,838,234
		-	4,038,234

8.1 Particulars of lendings to financial institutions

	2012	2011
In local currency	-	4,038,234
In foreign currencies	-	-
	-	4,038,234

8.2 Balances as at December 31, 2011 represented placements with various banks carrying mark-up at the rates ranging from 11.25% to 11.85% per annum and were due to mature by January 2012.

8.3 Balances as at December 31, 2011 represented short-term lendings to financial institutions against investment securities. These carried mark-up at the rate of 11.85% per annum and were due to mature by January 2012.

8.4 Securities held as collateral against repurchase agreement lendings to financial institutions

	2012 Held by Bank	2012 Further given as collateral	2012 Total	2011 Held by Bank	2011 Further given as collateral	2011 Total
	Rupees in '000					
Market Treasury Bills	-	-	-	2,838,234	-	2,838,234

9 INVESTMENTS - NET

9.1 Investments by type

	Note	2012 Held by Bank	2012 Given as collateral	2012 Total	2011 Held by Bank	2011 Given as collateral	2011 Total
		Rupees in '000					
Available-for-sale securities							
Market Treasury Bills		14,516,295	4,878,201	19,394,496	23,787,764	-	23,787,764
Less: Provision for diminution in value of Investments		-	-	-	-	-	-
Investments (net of provisions)		14,516,295	4,878,201	19,394,496	23,787,764	-	23,787,764
Surplus on revaluation of available-for-sale securities - net	20.1	5,589	2,468	8,057	3,450	-	3,450
Investments at market value		14,521,884	4,880,669	19,402,553	23,791,214	-	23,791,214

9.2 Investments by segment

	Note	2012	2011
		Rupees in '000	
Federal Government Securities			
- Market Treasury Bills	9.2.1 & 9.3	19,402,553	23,791,214

9.2.1 Market Treasury Bills are for a period of upto twelve months (2011: upto twelve months). The market yield ranges from 8.49% to 9.13% per annum (2011: from 11.90% to 11.94% per annum) with maturities up to May 2013 (2011: May 2012).

9.3 Market Treasury Bills amounting to Rs 11,375 million (2011: 10,250 million) [having a fair value of Rs 11,203 million (2011: Rs 10,090 million)] have been deposited with the State Bank of Pakistan as per the requirements of Section 13(2) of the Banking Companies Ordinance, 1962. The remaining Market Treasury Bills are eligible for re-discounting with the State Bank of Pakistan.

9.4 Quality of available-for-sale securities

	Market value 2012	Market value 2011	Carrying Value 2012	Carrying Value 2011	Long / Medium Term Credit Rating	Rated by
	Rupees in '000		Rupees in '000			
Market Treasury Bills	19,402,553	23,791,214	19,394,496	23,787,764	(Unrated - Government Securities)	

10 ADVANCES - NET

	Note	2012	2011
		Rupees in '000	
Loans, cash credits, running finances, etc. - in Pakistan		16,962,056	19,981,103
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		269,831	379,429
Payable outside Pakistan		1,393,829	1,146,410
		1,663,660	1,525,839
Advances - gross		18,625,716	21,506,942
Provision against advances			
Specific provision against non-performing advances	10.3	(861,791)	(474,930)
General provision against advances	10.3	(20,033)	(33,615)
		(881,824)	(508,545)
Advances - net		17,743,892	20,998,397

10.1 Particulars of advances - gross of provisions

		2012	2011
		Rupees in '000	
10.1.1	In local currency	17,178,982	19,168,021
	In foreign currencies	1,446,734	2,338,921
		18,625,716	21,506,942
10.1.2	Short term (upto one year)	17,962,354	20,456,065
	Long term (over one year)	663,362	1,050,877
		18,625,716	21,506,942

10.2 Advances include Rs 866.541 million (2011: Rs 644.049 million) which have been placed under non-performing status as detailed below:

	As at December 31, 2012				
	Classified advances		Total	Provision required	Provision held
	Domestic	Overseas			
	Rupees in '000				
Category of classification					
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	9,500	-	9,500	4,750	4,750
Loss	857,041	-	857,041	857,041	857,041
	866,541	-	866,541	861,791	861,791

	As at December 31, 2011				
	Classified advances		Total	Provision required	Provision held
	Domestic	Overseas			
	Rupees in '000				
Category of classification					
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	38,058	-	38,058	3,998	3,998
Doubtful	16,802	-	16,802	3,379	3,379
Loss	589,189	-	589,189	467,553	467,553
	644,049	-	644,049	474,930	474,930

10.3 Particulars of provision against advances

	Note	2012 Specific	2012 General	2012 Total	2011 Specific	2011 General	2011 Total
		Rupees in '000			Rupees in '000		
Opening balance		474,930	33,615	508,545	406,593	53,600	460,193
Charge for the year		416,019	-	416,019	227,528	101	227,629
Reversals during the year		(24,096)	(13,582)	(37,678)	(156,657)	(20,086)	(176,743)
		391,923	(13,582)	378,341	70,871	(19,985)	50,886
Amounts written off	10.4	(5,062)	-	(5,062)	(2,534)	-	(2,534)
Closing balance		861,791	20,033	881,824	474,930	33,615	508,545

10.3.1 The Bank has not availed any benefit of forced sale values while determining the provisioning requirements against non-performing advances as at December 31, 2012 (2011: Rs 133.986 million).

10.3.2 Particulars of provision against advances

	2012 Specific	2012 General	2012 Total	2011 Specific	2011 General	2011 Total
	Rupees in '000			Rupees in '000		
In local currency	861,791	20,033	881,824	474,930	33,615	508,545
In foreign currencies	-	-	-	-	-	-
	861,791	20,033	881,824	474,930	33,615	508,545

10.3.3 Although the Bank has made provision against non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrowers including land, building, plant and machinery and stock in trade etc.

10.3.4 General provision represents provision amounting to Rs 20.033 million (2011: Rs 33.615 million) held against consumer finance maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

10.4 Particulars of write-offs

	2012	2011
	Rupees in '000	
Against provisions	5,062	2,534
Directly charged to profit and loss account	-	-
	5,062	2,534
Write offs of Rs 500,000 and above	1,543	-
Write offs of below Rs 500,000	3,519	2,534
	5,062	2,534

10.5 Details of loan written off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of loans written-off or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2012 is given in Annexure-I.

10.6 Particulars of loans and advances to executives or officers etc.

	2012			
	Balance as at January 1, 2012	Loans granted during the year	Loans repaid / transferred during the year	Balance as at December 31, 2012
	Rupees in '000			
Debts due by employees of the Bank or any of them either severally or jointly with any other persons				
- key management personnel	107,154	53,816	21,626	139,344
- executives	558,822	114,119	293,541	379,400
- other officers	82,815	29,383	38,582	73,616

	2011			
	Balance as at January 1, 2011	Loans granted during the period	Loan repaid during the period	Balance as at December 31, 2011
	Rupees in '000			
Debts due by employees of the Bank or any of them either severally or jointly with any other persons				
- key management personnel	97,827	52,662	43,335	107,154
- executives	528,380	89,366	58,924	558,822
- other officers	90,078	24,351	31,614	82,815

11 OPERATING FIXED ASSETS

	Note	2012	2011
		Rupees in '000	
Capital work-in-progress	11.1	89,174	43,699
Property and equipment	11.2	290,288	577,654
Intangible assets	11.3	133,572	181,210
		513,034	802,563

11.1 Capital work-in-progress

	2012	2011
Civil works	2,789	-
Equipments	10,320	11,183
Software	71,150	31,668
Advances to suppliers and contractors	4,915	848
	89,174	43,699

11.2 Property and equipment

	2012								
	Cost			Accumulated depreciation / Impairment				Net book value as at December 31, 2012	Rate of depreciation % per annum
	As at January 1, 2012	Additions / (deletions) / adjustment*	As at December 31, 2012	As at January 1, 2012 (note 11.5)	Charge / (on deletions) / adjustment* / transfer	Impairment charged during the year (note 28.1)	As at December 31, 2012		
	Rupees in '000								
Owned									
Lease hold improvements	412,256	1,005 (58,822) -	354,439	122,995	41,071 (44,933) -	71,111	190,244	164,195	10
Furniture and fixtures	133,961	6,095 (22,683) -	117,373	85,495	27,803 (20,587) -	4,533	97,244	20,129	20
Electrical and office equipment	441,588	3,335 (28,952) -	415,971	312,472	59,774 (26,920) 1,102	12,632	359,060	56,911	20
Computer equipment	427,183	547 (1,426) -	426,304	316,407	62,605 (1,044)	789	378,757	47,547	20 - 33.33
Vehicles	17,088	1,550	18,638	17,053	79	-	17,132	1,506	33.33
	1,432,076	12,532 (111,883) -	1,332,725	854,422	191,332 (93,484) 1,102	89,065	1,042,437	290,288	

	2011								
	Cost			Accumulated depreciation / Impairment				Net book value as at December 31, 2011	Rate of depreciation % per annum
	As at January 1, 2011	Additions / (deletions) / adjustment*	As at December 31, 2011	As at January 1, 2011	Charge / (on deletions) / adjustment* / transfer	Impairment charged during the year	As at December 31, 2011		
	Rupees in '000								
Owned									
Lease hold improvements	401,709	10,893 (15,442) 15,096 *	412,256	78,874	42,192 (3,455) 5,384 *	-	122,995	289,261	10
Furniture and fixtures	130,986	2,514 (1,746) 2,207 *	133,961	61,463	26,466 (940) (1,494) *	-	85,495	48,466	20
Electrical and office equipment	565,486	20,016 (6,876) (137,038) * -	441,588	245,501	63,271 (1,914) 579 * 5,035	-	312,472	129,116	20
Computer equipment	322,406	5,415 * (1,501) 100,863 *	427,183	253,694	72,348 (1,251) (8,384) *	-	316,407	110,776	20 - 33.33
Vehicles	17,088	-	17,088	14,117	2,935 1 *	-	17,053	35	33.33
	1,437,675	38,838 (25,565) (18,872) *	1,432,076	653,649	207,212 (7,560) (3,914) * 5,035	-	854,422	577,654	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs 184.142 million (2011: Rs. 154.039 million).

11.3 Intangible assets

	2012								
	Cost			Accumulated amortisation / Impairment				Net book value as at December 31, 2012	Rate of amortisation % per annum
	As at January 1, 2012	Additions / (deletions) / adjustments*	As at December 31, 2012	As at January 1, 2012 (note 11.6)	Charge / (on deletions) / adjustment*	Impairment charged during the year	As at December 31, 2012		
	Rupees in '000								
Computer software	373,101	2,826 -	375,927	191,891	50,464	-	242,355	133,572	20 - 33.33
	373,101	2,826	375,927	191,891	50,464	-	242,355	133,572	

	2011								
	Cost			Accumulated amortisation / Impairment				Net book value as at December 31, 2011	Rate of amortisation % per annum
	As at January 1, 2011	Additions / (deletions) / adjustments*	As at December 31, 2011	As at January 1, 2011	Charge / (on deletions) / adjustment*	Impairment charged during the year	As at December 31, 2011		
	Rupees in '000								
Computer software	228,036	126,193 18,872 *	373,101	152,822	35,155 3,914 *	-	191,891	181,210	20 - 33.33
	228,036	145,065	373,101	152,822	39,069	-	191,891	181,210	

11.3.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs 125.126 million (2011: Rs. 120.266 million).

11.4 Disposals of property and equipment during the year

Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of 250,000 or above are given below:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	-----------------------(Rupees in '000)	-----------------------				
Lease hold improvements						
Civil works	17,089	10,616	6,473	4,902	Negotiations	Burj Bank Limited
Civil works	7,781	3,047	4,734	2,162	Negotiations	Faysal Bank Limited
Civil works	2,297	1,652	645	627	Negotiations	MCB Bank Limited
Electrical work	1,872	733	1,139	520	Negotiations	Faysal Bank Limited
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Civil Works	221	159	62	60	Negotiations	MCB Bank Limited
Civil Works	17,277	16,652	625	-	Write-off against reserve	Not Applicable
Electrical work	2,397	2,334	63	83	Negotiations	Faysal Bank Limited
Electrical work	785	650	135	122	Negotiations	MCB Bank Limited
Electrical work	9,025	9,025	-	-	Write-off against reserve	Not Applicable
Others	78	65	13	12	Negotiations	MCB Bank Limited
	58,822	44,933	13,889	8,488		
Furniture and fixtures						
Furniture	5,992	5,616	376	-	Write-off against reserve	Not Applicable
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Furniture	1,747	1,586	161	161	Negotiations	Adam Traders
Furniture	656	561	95	116	Negotiations	Ahmed Traders
Furniture	15	14	1	1	Negotiations	Burj Bank Limited
Furniture	1,196	957	239	440	Negotiations	Choudhary Munir Akhtar
Furniture	729	537	192	112	Negotiations	Concept Traders
Furniture	1,831	1,443	388	184	Negotiations	Faysal Bank Limited
Furniture	513	436	77	73	Negotiations	MCB Bank Limited
Furniture	845	718	127	195	Negotiations	S. M. Engineering, Automotive Spares & Accessories (Pvt) Ltd. & Ms Farzana Rizvi
Furniture	436	355	81	120	Negotiations	Syed M Shah Jamal / Nudrat Jamal
Furniture	8,599	8,246	353	-	Write-off against reserve	Not Applicable
Others	34	28	6	5	Negotiations	Burj Bank Limited
Others	90	90	-	-	Write-off against reserve	Not Applicable
	22,683	20,587	2,096	1,407		
Electrical and office equipment						
Electrical work	1,826	1,432	394	181	Negotiations	Faysal Bank Limited
Security equipment	1,251	959	292	133	Negotiations	Faysal Bank Limited
Signage	1,807	1,355	452	-	Write-off against reserve	Not Applicable
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Electrical and office equipment	105	98	7	5	Negotiations	Ahmed Traders
Electrical and office equipment	2,194	1,714	480	225	Negotiations	Faysal Bank Limited
Electrical and office equipment	2,904	2,731	173	152	Negotiations	MCB Bank Limited
Electrical and office equipment	144	101	43	-	Write-off	Not Applicable
Electrical and office equipment	18,284	18,271	13	-	Write-off against reserve	Not Applicable
Mobile phones	22	16	6	-	Write-off	Not Applicable
Mobile phones	224	88	136	85	Write-off / Insurance claims	Adamjee Insurance Company Limited
Others	33	33	-	-	Write-off against reserve	Not Applicable
Security equipment	118	91	27	12	Negotiations	Faysal Bank Limited
Security equipment	40	31	9	4	Negotiations	MCB Bank Limited
	28,952	26,920	2,032	797		
Computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Cabling work	193	138	55	-	Write-off against reserve	Not Applicable
Computer equipment	60	43	17	16	Negotiations	MCB Bank Limited
Computer equipment	104	104	-	-	Write-off	Not Applicable
Computer equipment	308	135	173	-	Write-off against reserve	Not Applicable
Laptop	75	75	-	-	Write-off	Not Applicable
Others	682	545	137	136	Negotiations	MCB Bank Limited
Others	4	4	-	-	Write-off	Not Applicable
	1,426	1,044	382	152		
2012 - Total	111,883	93,484	18,399	10,844		
2011 - Total	25,565	7,560	18,005	3,361		

11.5 This includes opening impairment charge on assets amounting to Rs 101.652 million which was booked in 2010.

11.6 This includes opening impairment charge on softwares amounting to Rs 47.331 million which was booked in 2010.

12 DEFERRED TAX ASSETS - NET

	Note	2012	2011
		Rupees in '000	
Deferred tax assets - net	12.1	1,173,148	1,287,530

12.1 The balance of deferred tax asset comprises:

	Note	2012	2011
Deductible temporary differences on			
- provision against loans and advances		58,756	1,399
- accumulated tax losses	12.2	1,168,425	1,412,408
- impairment on assets		12,929	13,120
- provision for fixed assets		-	2,012
		1,240,110	1,428,939
Taxable temporary differences on			
- accelerated tax depreciation and amortisation		64,142	140,201
- unrealised surplus on revaluation of securities		2,820	1,208
		66,962	141,409
		1,173,148	1,287,530

12.2 The Bank has an aggregate amount of Rs. 5,500.311 million (2011: Rs. 4,835.733 million) as unabsorbed tax losses as at December 31, 2012. Out of this amount the management has recognised deferred tax debit balance of Rs. 1,168.425 million (2011: Rs. 1,412.408 million) on losses amounting to Rs. 3,338.356 million (2011: Rs. 4,035.451 million). The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. The amount of this benefit has been determined based on the projected financial statements of the Bank for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, KIBOR rates, growth of deposits and advances, investment returns, product mix of advances and potential provision against assets. Any significant change in the key assumptions may have an effect on the realisibility of the deferred tax asset.

13 OTHER ASSETS - NET

	Note	2012	2011
		Rupees in '000	
Income / mark-up accrued in local currency		320,119	491,089
Income / mark-up accrued in foreign currencies		2,727	15,979
		322,846	507,068
Stationery and stamps on hand		760	833
Advances, deposits, advance rent and prepayments		165,433	124,341
Advance taxation		18,023	15,229
Unrealised gain on forward foreign exchange contracts		9,915	52,351
Others		24,699	30,305
		541,676	730,127
Less: Provision held against other assets	13.1	2,331	-
		539,345	730,127

13.1 Provision held against other assets

	2012	2011
Opening balance	-	-
Charge for the year	2,331	-
Reversals	-	-
Amount written off	-	-
Closing balance	2,331	-

14 CONTINGENT ASSETS

There are no contingent assets as at December 31, 2012.

15 BILLS PAYABLE

	2012	2011
In Pakistan	462,510	506,771
Outside Pakistan	59,074	66,637
	521,584	573,408

16 BORROWINGS

	Note	2012	2011
		Rupees in '000	
In Pakistan		9,291,803	4,437,328
Outside Pakistan		-	-
		9,291,803	4,437,328

16.1 Particulars of borrowings with respect to currencies

In local currency		9,291,803	4,437,328
In foreign currencies		-	-
		9,291,803	4,437,328

16.2 Details of borrowings secured / unsecured

	Note	2012	2011
Secured			
Borrowings from the State Bank of Pakistan under Export Refinance Scheme	16.3	4,413,468	4,437,328
Repurchase agreement borrowings	16.4	4,878,335	-
		9,291,803	4,437,328
Unsecured			
Call borrowings		-	-
		9,291,803	4,437,328

16.3 The Bank has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to its customers. As per the terms of the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting its current account maintained with SBP. These borrowings are repayable within six months up to June 2013 (2011: June 2012).

16.4 This represents repurchase agreement borrowings from other banks at the rates ranging from 7.25% to 8.75% per annum (2011: Nil) and are repayable latest by January 2013 (2011: Nil).

17 DEPOSITS AND OTHER ACCOUNTS

	Note	2012	2011
		Rupees in '000	
Customers			
Fixed deposits		8,839,568	20,877,815
Savings deposits		14,156,888	17,084,088
Current accounts – Non-remunerative		6,643,857	6,613,814
Margin accounts		295,552	49,112
		29,935,865	44,624,829
Financial institutions			
Non-remunerative deposits		21,965	40,080
		29,957,830	44,664,909

17.1 Particulars of deposits with respect to currencies

In local currency		22,965,176	38,521,070
In foreign currencies		6,992,654	6,143,839
		29,957,830	44,664,909

18 OTHER LIABILITIES

	Note	2012	2011
Mark-up / return / interest payable in local currency		275,317	619,647
Mark-up / return / interest payable in foreign currencies		39	-
Accrued expenses		88,965	56,306
Unearned commission		8,760	11,967
Payable to affiliate for information technology related expenditure	18.1	166,290	104,610
Payable for acquisition of fixed assets		14,792	11,830
Unrealised loss on forward foreign exchange contracts		5,417	63,907
Taxes and excise duty payable		7,580	14,690
Payable in respect of employee compensation		210,416	244,669
Payable to Barclays Bank PLC in respect of share based payments		128,168	86,052
Provision for restructuring		124,718	5,787
Margin held against shipping guarantees		96,138	159,886
Workers' Welfare Fund		-	14,680
Others		56,266	29,935
		1,182,866	1,423,966

18.1 This represents cost payable to Barclays Corporate Technology, in respect of information technology infrastructure support.

		Note	2012	2011
			Rupees in '000	
19	**HEAD OFFICE CAPITAL ACCOUNT**			
	Capital held as:			
	Deposit of un-encumbered approved securities	19.1	10,807,382	9,756,756

19.1 This represents amount deposited with the State Bank of Pakistan in the form of un-encumbered approved securities, as per the requirements of Section 13(2) of Banking Companies Ordinance, 1962. The details of these securities are as follows:

	2012			2011		
	Face value	Fair value	Maturity	Face value	Fair value	Maturity
	Rupees in '000			Rupees in '000		
Market Treasury Bills	11,375,000	11,202,734	Upto May 2013	10,250,000	10,089,761	Upto May 2012

		Note	2012	2011
			Rupees in '000	
20	**SURPLUS ON REVALUATION OF SECURITIES - NET OF TAX**			
20.1	**Surplus on revaluation of securities - net of tax**			
	Market Treasury Bills	9.1	8,057	3,450
	Related deferred tax liability		(2,820)	(1,208)
			5,237	2,242

21 CONTINGENCIES AND COMMITMENTS

		2012	2011
21.1	**Direct credit substitutes**		
	Contingent liabilities in respect of guarantees given favouring:		
	- Government	-	-
	- Banking companies and other financial institutions	-	-
	- Others	-	-
		-	-
21.2	**Transaction-related contingent liabilities**		
	Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
	- Government	607,826	607,826
	- Banking companies and other financial institutions	494,355	336,360
	- Others	420,767	475,945
		1,522,948	1,420,131
21.3	**Trade-related contingent liabilities**		
	Contingent liabilities in respect of letters of credit opened favouring:		
	- Government	482,926	-
	- Banking companies and other financial institutions	-	29,027
	- Others	4,817,793	5,094,062
		5,300,719	5,123,089
21.4	**Other contingencies**		
	Claims against the Bank not acknowledged as debt	6,306	-

21.5 Commitments in respect of forward lending

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

		2012	2011
		Rupees in '000	
21.6	**Commitments in respect of forward exchange contracts**		
	Purchase	2,395,821	5,887,520
	Sale	2,448,928	6,205,175

21.7 Commitments in respect of operating lease

The Bank has obtained various offices, branches and other premises under operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. The future minimum lease payment under operating leases are as follows:

	2012	2011
	Rupees in '000	
Not more than one year	45,984	53,672

21.8 Commitments in respect of repo transactions

	2012	2011
Repurchase	4,880,499	-
Resale	-	2,868,642

	2012	2011
21.9 Commitments for the acquisition of operating fixed assets	96,080	145,928

21.10 Other commitments

	2012	2011
Donations	2,000	3,000

22 DERIVATIVE INSTRUMENTS

“Derivative” means a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivative also includes structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury buys and sells Forward Exchange Contracts.

Forward Exchange Contracts:

Forward exchange contract is a product offered to customer backed by international trading contract. These customers use this product to hedge themselves from unfavorable movements in foreign currencies.

In order to mitigate this risk of adverse exchange rate movements, the Bank hedges its exposure by taking forward position in inter bank market. In addition to this, the exposure is also managed by matching the maturities and fixing the counter parties, dealers, intra-day and overnight limits.

23 MARK-UP / RETURN / INTEREST EARNED	**2012**	**2011**
	Rupees in '000	
On loans and advances to		
- customers	1,914,084	2,332,165
On investments in		
- available-for-sale securities	2,258,391	2,857,079
On deposits with financial institutions	87,934	104,899
On securities purchased under resale agreements	231,898	200,280
Others	-	22,705
	4,492,307	5,517,128

24 MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	2,177,278	2,952,044
On securities sold under repurchase agreements	110,618	150,531
On other short term borrowings	422,109	405,309
Others	23,758	-
	2,733,763	3,507,884

25 GAIN ON SALE OF SECURITIES - NET

	Note	2012	2011
		Rupees in '000	
Federal Government Securities			
- Market Treasury Bills		-	4,691
		-	4,691

26 ADMINISTRATIVE EXPENSES

	Note	2012	2011
Personnel cost			
Salaries and allowances	26.4	841,662	969,156
Medical expenses		21,157	19,317
Other allowances		8,392	22,273
Charge in respect of employee retirement plans	34	50,415	56,943
		921,626	1,067,689
Premises cost			
Rent, taxes, insurance, electricity etc.		262,232	264,119
Depreciation	11.2	68,874	68,658
Security expenses		32,127	34,836
Repairs and maintenance		22,014	6,623
		385,247	374,236
Other operating cost			
Expenses in respect of outsourced operation		19,178	19,417
Advertisement and publicity		11,565	13,126
Communications		69,639	104,847
Depreciation	11.2	122,458	138,554
Legal and professional charges		6,588	3,808
Stationery and printing		22,503	29,258
Travelling		27,084	25,449
Repairs and maintenance		56,946	54,391
Insurance expense		17,007	20,648
Amortisation	11.3	50,464	35,155
Training and seminar		3,115	943
Office running expenses		70,616	46,000
Entertainment		6,872	3,695
Donations	26.1	1,000	3,667
Auditors' remuneration	26.2	6,731	5,092
Fees and subscriptions		1,699	1,457
Software expenses		63,819	16,373
Loss on disposal / write off of operating fixed assets		-	345
Brokerage expense		4,295	5,750
Miscellaneous expenses	26.3	96,680	33,955
Impairment on capital work in progress		548	20,364
		658,807	582,294
		1,965,680	2,024,219

26.1 Donations (exceeding Rs.100,000)

	2012	2011
Lahore University of Management Science (School of Science and Engineering)	-	1,792
Health Oriented Preventive Education (HOPE)	-	875
Institute of Business Administration (IBA), Karachi	1,000	1,000
	1,000	3,667

During the current year donations were not made to any donee in which the Bank or any executive had any interest.

26.2 Auditors' remuneration

	2012	2011
	Rupees in '000	
Annual audit	1,331	1,210
Half yearly review	402	365
Others certifications / reports	1,014	710
Audit of provident fund	160	250
Taxation services	3,500	2,057
Out of pocket expenses	324	500
	6,731	5,092

26.3 This includes an operational loss of Rs. 68.523 million recognised by the Bank as a result of employee infidelity.

26.4 The Bank operates long term and short term cash award and bonus schemes for employees. Under the scheme, the cash awards / bonus for executives including the Chief Executive Officer is determined on the basis of employee's evaluation, Bank's performance during the year and completion of service period. The benefits accrued in the financial statements in respect of these schemes amounted to Rs 237.342 million (2011: Rs 225.370 million).

27 OTHER CHARGES

	Note	2012	2011
		Rupees in '000	
Debit Card Charges		9,040	7,328
Taxes paid		2,364	-
Penalties imposed by the State Bank of Pakistan		354	11,171
Workers' Welfare Fund		(1,602)	14,680
Other miscellaneous charges		525	1,653
		10,681	34,832

28 EXTRA ORDINARY / UNUSUAL ITEMS

	Note	2012	2011
Restructuring expenses	28.1	842,882	-
Reversal of liabilities payable to an affiliate	28.2	-	239,139
		842,882	239,139

28.1 During the current period, the Bank has commenced the process of re-aligning its branch network and staff level to commensurate its current business model with its global strategy. As a result, the Bank has recognised following restructuring expenses:

	2012	2011
	Rupees in '000	
Impairment recognised over tangible fixed assets	89,065	-
Loss on fixed assets written off	7,704	-
Staff redundancy costs	731,960	-
Other running expenses	14,153	-
	842,882	-

28.2 This represents reversal of liabilities booked in prior years that were payable to an associate, GRB Technology, in respect of enhancement and development of I.T software. During the year 2011, the affiliate had waived all the charges that were due in respect of these services. Accordingly, provision made against invoices received in prior years had been reversed as it was no longer payable.

29 TAXATION

	2012	2011
	Rupees in '000	
Deferred tax charge / (income) for the year		
- Current year	(363,815)	229,930
- Prior year	476,585	(21,583)
	112,770	208,347

29.1 Relationship between taxable charge and accounting profit / (loss)

	2012	2011
(Loss) / profit before taxation	(1,040,826)	653,363
Tax calculated at the rate of 35% (2011: 35%)	(364,289)	228,677
Effect of:		
- items that are not deductible	474	5,193
- prior year	476,585	(21,583)
- others	-	(3,940)
Tax charge / (income) for the year	112,770	208,347

29.2 Income tax returns up to tax year 2012 have been filed under self-assessment scheme and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

30 BASIC AND DILUTED EARNINGS PER SHARE

The Bank operates as a branch of a foreign entity and does not have share capital. Hence, no figures of basic and diluted earnings per share have been reported in these financial statements.

31 SHARE BASED PAYMENTS

Barclays Group operates share plans for the employees throughout the world. The plans applicable to employees of Pakistan operations are as follows:

Joiner's Share Award Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest at various stages upto four years. Participants do not pay to receive an award or to receive a release of shares.

Incentive Share Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest upon achieving continued services after three years. Participants do not pay to receive an award or to receive a release of shares.

Share Value Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest at various stages upto three years. Participants do not pay to receive an award or to receive a release of shares. The expense of the plan is being recognised in the books of Pakistan operations with effect from March 16, 2010.

Global Share Purchase Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest upon achieving continued services after three years. Under the plan participants are required to buy shares of Barclays Bank PLC. Upon purchase by an employee equal amount of shares are allocated in favour of employee subject to maximum limit specified. The expense of the plan is being recognised in the books of Pakistan operations with effect from August 2011.

	2012							
	Joiner's Share Award Plan		Incentive Share Plan		Share Value Plan		Global Share Purchase Plan	
	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP
Unvested shares at the beginning of the year	14,744	3.15	107,869	1.50	118,904	2.88	2,906	1.75
Awarded during the year	-	-	-	-	67,495	2.44	2,952	1.94
Vested during the year	14,744	3.15	66,586	1.50	39,635	2.44	2,386	1.94
Lapsed during the year	-	-	41,283	1.50	-	-	-	-
Unvested shares at the end of the year	-	-	-	-	146,764	2.44	3,472	1.94

	2011							
	Joiner's Share Award Plan		Incentive Share Plan		Share Value Plan		Global Share Purchase Plan	
	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP
Unvested shares at the beginning of the year	3,029	3.13	195,761	1.50	24,728	3.24	-	-
Awarded during the year	35,386	3.15	-	-	118,904	2.88	2,906	1.75
Vested during the year	23,671	3.14	-	-	-	-	-	-
Lapsed during the year	-	-	87,892	1.50	24,728	3.24	-	-
Unvested shares at the end of the year	14,744	3.15	107,869	1.50	118,904	2.88	2,906	1.75

32 CASH AND CASH EQUIVALENTS

	Note	2012	2011
		Rupees in '000	
Cash and balances with treasury banks	6	4,694,728	3,725,801
Balances with other banks	7	3,711,567	2,649,904
		8,406,295	6,375,705

33 STAFF STRENGTH

	2012	2011
	Number of employees	
Permanent	227	394
On contractual basis	-	-
Bank's own staff strength at the end of the year	227	394
Outsourced	22	182
Total number of employees at the end of the year	249	576

34 EMPLOYEE BENEFITS

34.1 Provident Fund

The Bank operates a contributory provident plan for its employees. The plan covers all permanent employees as at December 31, 2012. Contributions to the fund are made at 10% of basic salary both by the Bank and the employees.

	2012	2011
	Rupees in '000	
Contribution by the Bank	28,480	31,767
Contribution by the employees	28,480	31,767
	56,960	63,534

34.2 Gratuity Fund

The Bank has defined contribution gratuity scheme covering all permanent employees. Under the scheme contributions are made only by the Bank at 8.33% of basic salary of the employee. During the year, the Bank contributed Rs 21.935 million (2011: Rs 25.176 million) to the fund.

35 COMPENSATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Note	2012		2011	
		Chief Executive Officer	Executives	Chief Executive Officer	Executives
		Rupees in '000			
Managerial remuneration	35.1	28,549	328,894	25,800	367,459
Contribution to defined contribution plans		3,488	39,935	3,153	44,856
Rent and house maintenance		9,686	-	9,600	-
Utilities		860	-	-	-
Medical		258	5,094	-	5,183
Conveyance		943	77,723	682	72,683
Relocation allowance		-	-	-	4,186
Other allowances		1,523	-	1,139	15
		45,307	451,646	40,374	494,382
Number of persons		1	189	1	194

35.1 The Chief Executive Officer is provided with free use of the Bank's car and household equipment.

35.2 In addition to the above, the Bank also provides shares based payment benefits, long term and short term cash award / bonus incentives which are payable on completion of prescribed period of service and performance evaluation. Details regarding these benefits are disclosed in note 26.4 and 31 to these financial statements. During the year payment amounting to Rs 203.884 million (2011: Rs 250.038 million) was made under these schemes.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The following table summarises the carrying amounts of on-balance sheet financial assets and liabilities and off-balance sheet financial instruments.

On-balance sheet financial instruments

	Note	2012		2011	
		Carrying value	Fair value	Carrying value	Fair value
		Rupees in '000			
Assets					
Cash and balances with treasury banks	36.1	4,694,728	4,694,728	3,725,801	3,725,801
Balances with other banks	36.1	3,711,567	3,711,567	2,649,904	2,649,904
Lending to financial institutions	36.1	-	-	4,038,234	4,038,234
Investments - net	36.2	19,402,553	19,402,553	23,791,214	23,791,214
Advances - net	36.3	17,743,892	17,435,057	20,998,397	20,653,733
Other assets - net	36.1	353,121	353,121	590,555	590,555
		45,905,861	45,597,026	55,794,105	55,449,441
Liabilities					
Bills payable	36.1	521,584	521,584	573,408	573,408
Borrowings	36.1	9,291,803	9,291,803	4,437,328	4,437,328
Deposits and other accounts	36.4	29,957,830	29,957,830	44,664,909	44,664,909
Other liabilities	36.1	1,043,109	1,043,109	1,376,351	1,376,351
		40,814,326	40,814,326	51,051,996	51,051,996

	2012		2011	
	Notional principal	Fair value	Notional principal	Fair value
	Rupees in '000			
Off-balance sheet financial instruments				
Forward purchase of foreign exchange - net	2,395,821	2,405,478	5,887,520	5,935,534
Forward sale of foreign exchange - net	2,448,928	2,443,769	6,205,175	6,145,606

36.1 Fair value approximates carrying amount due to the short-term nature of these on-balance sheet financial assets and liabilities.

36.2 The fair value of investments are based on rates quoted in Reuters Pages (PKRV).

36.3 Except for staff advances, the fair value of advances approximates carrying value because the instruments are either short-term in nature or have interest rates that reprice frequently. Fair value of staff loans is lower as they are given at below-market interest rates in accordance with the terms of employment.

36.4 The fair value of deposits and other accounts approximates carrying value because they are short-term in nature.

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the year ended December 31, 2012			
	Corporate banking	**Trading and sales**	**Retail banking**	**Total**
	(Rupees in '000)			
Net income / (loss) before provisions	525,425	2,654,011	(1,022,678)	2,156,758
Non mark-up / interest expense	810,784	77,893	1,466,025	2,354,702
Extraordinary / unusual item	293,792	32,829	516,261	842,882
Net income / (loss)	(579,151)	2,543,289	(3,004,964)	(1,040,826)
Segment return on assets (ROA) (%)	-3.20%	9.10%	-168.90%	
Segment cost of funds (%)	7.74%	5.27%	5.58%	

	As at December 31, 2012			
	Corporate banking	**Trading and sales**	**Retail banking**	**Total**
	(Rupees in '000)			
Segment assets before provision against advances	18,354,219	28,024,772	2,281,100	48,660,091
Segment non-performing advances	391,786	-	474,755	866,541
Segment provision required against loans and advances	387,036	-	494,788	881,824
Segment liabilities	16,494,618	4,997,270	19,462,195	40,954,083

	For the year ended December 31, 2011			
	Corporate banking	**Trading and sales**	**Retail banking**	**Total**
	(Rupees in '000)			
Net income / (loss) before provisions	395,990	3,301,214	(1,170,095)	2,527,109
Non mark-up / interest expense	939,407	138,810	1,034,668	2,112,885
Extraordinary / unusual item	98,577	15,465	125,097	239,139
Net income / (loss)	(444,840)	3,177,869	(2,079,666)	653,363
Segment return on assets (ROA) (%)	-2.10%	9.00%	-104.60%	
Segment cost of funds (%)	9.49%	7.07%	6.55%	

	As at December 31, 2011			
	Corporate banking	**Trading and sales**	**Retail banking**	**Total**
	(Rupees in '000)			
Segment assets before provision against advances	21,117,271	35,156,290	2,258,754	58,532,315
Segment non-performing advances	237,498	-	406,551	644,049
Segment provision required against loans and advances	237,498	-	271,047	508,545
Segment liabilities	24,251,947	105,664	26,742,000	51,099,611

38 TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

39 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with other branches and direct and indirect subsidiaries of Barclays PLC Group, Barclays Bank PLC, employee benefit plans, and its key management personnel.

Transactions between the Bank and its related parties are carried out under normal course of business except for employee staff loans and provident fund, that are as per terms of agreement.

	Note	2012	2011
Balances as at year end		**Rupees in '000**	
Group			
Nostro balances with other branches of Barclays Bank PLC		3,609,435	2,585,703
Accrued interest on nostro balances with Barclays Bank PLC		-	1,004
Payable to affiliate for IT expenditure	18	166,290	104,610
Payable to affiliate for staff recharges		636	-
Payable to Barclays Bank PLC			
in respect of share-based payments	18	128,168	86,052
Other receivables from Barclays entities		6,810	17,700
Deposits held from affiliates		21,965	40,080
Commitments in respect of forward exchange contracts - Purchase		19,383	917,137
Commitments in respect of forward exchange contracts - Sale		19,383	917,137
Unrealised loss on forward exchange contracts		67	2,729
Unrealised gain on forward exchange contracts		-	47
Guarantees issued to other branches of Barclays Bank PLC		138,799	192,378
Key Management Personnel			
Loans and advances		139,344	107,154
Deposits		17,785	15,875
Others			
Deposits of staff retirement benefit fund		49,405	254,047
Guarantees issued to staff retirement benefit fund		500	500
Transactions during the period			
Group			
Income for the period on			
- Nostro balances with other branches of Barclays Bank PLC		7,599	10,562
- Placements with Barclays Bank PLC		-	329
Interest expense for the year on deposits with Barclays Bank PLC		-	4,560
Charged in respect of share-based payments		42,116	45,189
Additions to capital work in progress		41,059	100,628
Expense for IT expenditure		13,278	12,890
Key Management Personnel			
Markup / interest / income earned		3,458	2,306
Markup / interest / income expensed		1,040	1,033
Salaries and benefits		132,625	156,425
Post-retirement benefits		12,013	11,566
Others			
Contributions to staff retirement benefit fund	34.1	28,480	31,767
Contributions to other staff retirement benefit fund	34.2	21,935	25,176
Interest paid on deposits of staff retirement benefit funds		18,672	2,630

40 CAPITAL ADEQUACY

40.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to generate adequate returns by pricing products and services commensurately with the level of risk. The Bank manages capital with the goal of optimally using its capital in relation to business development plans, market competitiveness and overall risk profile. The Bank aims to be compliant with the State Bank of Pakistan's directives on capital adequacy.

Goals of managing capital

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

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum assigned capital (net of losses) for branches of foreign banks operating in Pakistan to be raised to Rs. 10 billion by the year ending December 31, 2013 in a phased manner requiring Rs. 9 billion assigned capital (net of losses) by the end of the financial year 2012. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of atleast US$ 300 million, have a CAR of 8% or minimum prescribed by home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank has obtained SBP's approval to maintain minimum required capital of Rs. 6 billion (net of losses) effective December 31, 2010.

The head office capital (net of losses) of the Bank for the year ended December 31, 2012 stood at Rs. 6.819 billion and is in compliance with the SBP requirement for the said financial year. In addition, the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank vide BSD Circular No. 07 dated April 15, 2009. The Bank's CAR as on December 31, 2012 was well above the required ratio.

The Bank’s regulatory capital is analysed into two tiers:

Tier 1 capital, includes assigned capital, general reserves as per the financial statements after deductions for un-appropriated losses, book value of intangibles and deficit on revaluation of available-for-sale investments, if any.

Tier 2 capital, includes general provisions for loan losses (up to a maximum of 1.25% risk weighted assets) and revaluation reserve (upto 45% of total reserve amount).

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the risks so as to take an integrated approach / view.

The allocation of capital between specific operations and activities is, to a large extent driven by the optimisation of the return achieved on the capital allocated. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, etc. and the fit of the activity with the Bank’s long-term strategic objectives. The Bank has complied with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank’s management of capital during the year.

Basel II requirements on the ultimate holding company

In addition to the capital requirements imposed on the Bank by the SBP, Barclays PLC Group (the Group) is subject to the minimum capital requirements imposed by the Financial Services Authority (FSA) of the United Kingdom, following guidelines developed by the Basel Committee on Banking Supervision and implemented in the United Kingdom via European Union Directives. Under Basel II, effective from January 1, 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management. The Group manages its capital resources to ensure that entities subject to local capital adequacy regulations in individual countries meet their minimum capital requirements.

40.2 Capital Adequacy Ratio

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

Regulatory capital base	2012	2011
	Rupees in '000	
Tier I Capital		
Head office capital	10,807,382	9,756,756
Accumulated losses	(3,988,435)	(2,834,839)
	6,818,947	6,921,917
Less: Deductions		
Book value of intangible assets	207,648	212,910
Deficit on account of revaluation of investments held in AFS category	-	-
Total Tier I Capital	6,611,299	6,709,007
Tier II Capital		
General provisions (subject to 1.25% of total risk weighted assets)	20,033	33,615
Revaluation reserve upto 45%	3,626	1,553
Total Tier II Capital	23,659	35,168
Eligible Tier III Capital	-	-
Total regulatory capital (a)	6,634,958	6,744,175

Risk weighted exposures	2012		2011	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
Credit risk	Rupees in '000			
Portfolios subject to standardised approach				
On-balance sheet exposure				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	617	6,174	6,186	61,863
Public Sector Entities	9,568	95,681	-	-
Banks / DFI	107,059	1,070,592	93,959	939,593
Corporate	1,300,148	13,001,475	1,605,129	16,051,291
Retail	13,925	139,249	34,129	341,288
Secured by residential property	19,500	195,003	26,550	265,503
Past due loans	475	4,750	12,506	125,060
Operating fixed assets	30,539	305,386	58,965	589,653
Other assets	137,973	1,379,732	147,067	1,470,667
Off-balance sheet non-market related exposure				
Public Sector Entities	20,025	200,250	15,196	151,957
Banks / DFI	12,139	121,388	6,528	65,286
Corporate	148,794	1,487,943	192,564	1,925,637
Others	9,633	96,330	14,617	146,178
Off-balance sheet market related exposure	2,599	25,994	5,950	59,496
Market risk				
Foreign exchange risk	8,584	85,838	9,443	94,425
Operational risk	406,708	4,067,075	359,639	3,596,388
Total (b)	2,228,286	22,282,860	2,588,428	25,884,285

Capital Adequacy Ratio		2012	2011
Total eligible regulatory capital held		6,634,958	6,744,175
Total risk weighted assets		22,282,860	25,884,285
Capital Adequacy Ratio	**(a) / (b)**	29.78%	26.06%

41 RISK MANAGEMENT

Risk management is a fundamental part of Bank's business activity and an essential component of its planning process. To keep risk management at the centre of the executive agenda, it is embedded in the everyday management of the business.

The Bank's risk management objectives are:

- To optimise risk / return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.

41.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. It arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from the credit enhancement products it provides, such as financial guarantees, letters of credit, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities, settlement balances and exposures to interbank counterparties.

41.1.1 Credit risk management objectives and policies

The granting of credit is one of the Bank's major sources of income and therefore carries one of its most significant risks. The Bank dedicates considerable resources to control credit risk effectively.

Bank has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans. The credit risk management team formulates risk policy and manages its implementation across the business.

Specific credit risk management objectives are:

- To gain a clear and accurate understanding and assessment of credit risk across the business, from the level of individual facilities up to the total portfolio.
- To control and plan the taking of credit risk, ensuring it is coherently priced across the business and avoiding undesirable concentrations.
- To support strategic growth and decision-making based on sound credit risk management principles and a pro-active approach to identifying and measuring new risks.
- To ensure a robust framework for the creation, use and ongoing monitoring of the Bank's credit risk measurement models.

41.1.2 Credit risk measurement

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Bank is exposed, from the level of individual facilities up to the total portfolio. The Bank uses statistical modeling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable a coherent approach to risk measurement across all credit exposures, retail and commercial. The key building blocks in the measurement system are the probability of customer default (PD), exposure in the event of default (EAD), and severity of loss-given-default (LGD).

The Bank may also incorporate credit ratings assigned by external credit assessment institutions, i.e. JCR-VIS Credit Rating Co. Limited and The Pakistan Credit Rating Agency Limited while making credit decisions.

The mapping of credit rating grades to credit quality description is as follows:

External rating	Internal rating	Credit quality description
AAA to BBB-	1 - 9	Strong
BB+ to B	10 -18	Satisfactory
B- and lower	19 - 21	Weak / Substandard

41.1.3 Credit risk mitigation, collateral, security, and other credit enhancements

The Bank uses a wide variety of techniques to reduce credit risk on its lending. The most important of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing. The Bank's policy is to establish that loans are within the customer’s capacity to repay, rather than to rely excessively on security.

Credit risk mitigation

The Bank actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – it takes action to mitigate the risks. Such actions may, for example, include; reducing the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate).

The Bank maintains the diversification of its portfolio to avoid unwanted credit risk concentrations. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to higher-rated borrowers than to lower-rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, and are reviewed regularly.

Collateral and security

Collateral and security is an important mitigant of credit risk. The Bank routinely obtains collateral and security, such as in the case of a residential mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories.

The Bank ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, businesses holding specific, agreed classes of collateral must ensure that they are holding a correctly perfected charge.

The principal collateral and security types are mortgages over residential properties, charges over business assets such as premises, stock and debtors, cash, and third party credit protection (i.e. guarantees). Valuation of the collateral and security taken is within agreed parameters. Before reliance is placed on third party protection in the form of bank, government or corporate guarantees, a credit assessment is undertaken.

41.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount, except for cash and stamps on hand, which are not exposed to credit risk. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

41.1.5 Credit risk - General disclosures Basel II specific

The Bank has adopted standardised approach of Basel II for calculation of capital charge against credit risk in line with SBP requirement.

41.1.5.1 Credit risk: Disclosures for portfolio subject to Standardised Approach

Under standardised approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes. In this connection, Bank utilises the credit ratings assigned by ECAIs such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (JCR-VIS Credit Rating Company Limited), Standard & Poors and Moody's.

41.1.5.2 Types of exposures and ECAIs used

Exposures	JCR-VIS	PACRA	S&P and Moody's
Sovereigns other than PKR claims	-	-	✔
Public sector entities	✔	✔	-
Banks	✔	✔	✔
Corporates	✔	✔	-

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The alignment of the Alphanumerical scale of each agency used with risk buckets is as per instructions laid down by SBP under Basel II requirements.

41.1.5.3 Credit exposures subject to standardised approach

		---------------------------2012---------------------------------		
Exposures	**Rating category**	**Amount outstanding**	**Deduction CRM**	**Net amount**
Corporate	1-6	5,879,758	-	5,879,758
	Unrated	15,423,550	-	15,423,550
Banks	1-5	4,421,007	-	4,421,007
	Unrated	580,470	-	580,470
Sovereigns	Not applicable	23,198,578	-	23,198,578
	4-6	4,116	-	4,116
Public Sector Entities (PSEs)	1-6	478,404	-	478,404
	Unrated	1,090,752	-	1,090,752
Other assets	Unrated	3,423,851	-	3,423,851
		54,500,486	-	54,500,486

		-----------------------------2011-------------------------------		
Exposures	**Rating category**	**Amount outstanding**	**Deduction CRM**	**Net amount**
Corporate	1-6	5,935,044	-	5,935,044
	Unrated	19,511,923	-	19,511,923
Banks	1-5	7,317,644	2,286,137	5,031,507
	Unrated	2,323	-	2,323
Sovereigns	Not applicable	26,953,709	-	26,953,709
	4-6	61,863	-	61,863
Public Sector Entities (PSEs)	1-6	-	-	-
	Unrated	607,826	-	607,826
Other assets	Unrated	4,090,941	-	4,090,941
		64,481,273	2,286,137	62,195,136

41.1.5.4 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. In instances where the Bank's exposure on an obligor is secured by collateral that confirms to the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realisable value of eligible collaterals to the extent of outstanding exposure.

Counterparty ratings are obtained through the two local SBP authorized External Credit Rating Agencies; JCR VIS and PACRA and other international sources such as Standard and Poor's and Moody's. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Risk Management function.

41.1.6 Concentration

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

In addition to analysis of credit risk concentration of advances, analysis is also presented for deposits and contingencies and commitments.

41.1.6.1 Segments by class of business

	2012					
	Gross advances		Deposits		Contingencies (include amounts mentioned in 21.2 and 21.3)	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	-	-	703	0.00%	-	-
Automobile and transportation equipment	114,574	0.62%	424,219	1.42%	63,128	0.93%
Cement	495,498	2.66%	8,288	0.03%	595,622	8.73%
Chemical and pharmaceuticals	843,523	4.53%	2,722,571	9.09%	1,825,911	26.76%
Construction	-	-	15,912	0.05%	-	-
Electronics and electrical appliances	786,393	4.22%	49,992	0.17%	66,945	0.98%
Exports / imports	-	-	1,051	0.00%	-	-
Financial	-	-	78,356	0.26%	494,855	7.25%
Food & beverages	4,058,412	21.79%	104,340	0.35%	881,186	12.91%
Footwear and leather garments	263,891	1.42%	5,709	0.02%	39,062	0.57%
Individuals	1,267,114	6.80%	16,825,556	56.16%	-	-
Insurance	-	-	409,205	1.37%	-	-
Iron and Steel	109,052	0.59%	260	0.00%	-	-
Others	1,026,564	5.51%	2,064,027	6.88%	486,437	7.12%
Power (electricity), gas, water, sanitary	1,479,690	7.94%	2,943,822	9.83%	1,407,391	20.63%
Services	537,902	2.89%	1,511,604	5.05%	201,759	2.96%
Sugar	399,427	2.14%	602	0.00%	-	-
Textile	6,234,228	33.47%	86,323	0.29%	722,424	10.59%
Tobacco	902,507	4.85%	1,218,505	4.07%	14,460	0.21%
Transport, storage and communication	106,941	0.57%	1,438,080	4.80%	24,487	0.36%
Wholesale & Retail Trade	-	-	48,705	0.16%	-	-
	18,625,716	100.00%	29,957,830	100.00%	6,823,667	100.00%

	2011					
	Gross advances		Deposits		Contingencies (include amounts mentioned in 21.2 and 21.3)	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	-	-	254,374	0.57%	-	-
Automobile and transportation equipment	212,146	0.99%	26,379	0.06%	91,664	1.40%
Cement	2,142,005	9.96%	38,231	0.09%	115,530	1.77%
Chemical and pharmaceuticals	1,918,636	8.92%	2,764,921	6.19%	1,791,808	27.38%
Construction	-	-	24,183	0.05%	-	-
Electronics and electrical appliances	605,136	2.81%	508,344	1.14%	267,376	4.09%
Exports / imports	590,000	2.74%	1,151	0.00%	-	-
Financial	-	-	460,097	1.03%	345,660	5.28%
Food & beverages	2,644,741	12.30%	188,860	0.42%	1,172,171	17.91%
Footwear and leather garments	255,046	1.19%	37,291	0.08%	30,517	0.47%
Individuals	1,634,353	7.60%	21,866,984	48.96%	-	-
Insurance	-	-	536,625	1.20%	-	-
Iron and Steel	38,991	0.18%	9,102	0.02%	-	-
Others	915,078	4.25%	3,593,122	8.06%	504,395	7.71%
Power (electricity), gas, water, sanitary	1,790,958	8.33%	5,315,480	11.90%	768,762	11.75%
Services	686,117	3.19%	1,992,439	4.46%	127,813	1.95%
Sugar	535,845	2.49%	489	0.00%	-	-
Textile	6,667,300	31.00%	108,548	0.24%	172,704	2.64%
Tobacco	488,337	2.27%	305,272	0.68%	-	-
Transport, storage and communication	221,462	1.03%	6,547,312	14.66%	1,154,820	17.65%
Wholesale & Retail Trade	160,791	0.75%	85,705	0.19%	-	-
	21,506,942	100.00%	44,664,909	100.00%	6,543,220	100.00%

41.1.6.2 Segment by sector

	2012					
	Gross advances		Deposits		Contingencies	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	478,277	2.57%	947,756	3.16%	1,090,752	15.98%
Private	18,147,439	97.43%	29,010,074	96.84%	5,732,915	84.02%
	18,625,716	100.00%	29,957,830	100.00%	6,823,667	100.00%

	2011					
	Gross advances		Deposits		Contingencies	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	789,405	3.67%	3,712,926	8.31%	695,431	10.63%
Private	20,717,537	96.33%	40,951,983	91.69%	5,847,789	89.37%
	21,506,942	100.00%	44,664,909	100.00%	6,543,220	100.00%

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

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Chemical and pharmaceuticals	187,900	187,900	187,500	187,500
Electronics and electrical appliances	144,788	144,788	-	-
Food & beverages	59,497	54,747	49,998	49,998
Individuals	436,296	436,296	390,129	222,652
Others	20,347	20,347	16,422	14,780
Power (electricity), gas, water, sanitary	15,222	15,222	-	-
Textile	2,491	2,491	-	-
	866,541	861,791	644,049	474,930

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

Public / Government	-	-	-	-
Private	866,541	861,791	644,049	474,930
	866,541	861,791	644,049	474,930

41.1.6.5 Geographical segment analysis

	2012			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies
	Rupees in '000'			
Pakistan	(1,040,826)	47,778,267	6,824,184	6,823,667
	(1,040,826)	47,778,267	6,824,184	6,823,667

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies
	Rupees in '000'			
Pakistan	653,363	58,023,770	6,924,159	6,543,220
	653,363	58,023,770	6,924,159	6,543,220

41.2 Market risk

Market risk is the risk arising from movements in market variables such as interest rates, exchange rates and equity indices. The Bank recognises market risk as the exposures created by potential changes in market prices and interest rates. Market risk exposures arise primarily from interest rate and foreign exchange related contracts. The Bank has no exposure to equity or commodity risk.

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of position limits.
- Facilitate business growth within a controlled and transparent risk management framework.
- Minimise non-traded market risk.

Market risk is a principal risk of the Bank and its overall management takes place at Group level. Group Executive Committee (Exco) through the principal risk policy, has set out guidelines for managing the market risk and a market risk control framework has been established to meet the requirements of the principal risk policy. The Bank is required to manage its market risk in compliance with this framework. The market risk exposures are measured and monitored independently by the middle office function and reported accordingly to the Bank's Business and Risk Management both locally and at cluster and Group levels.

The Bank has established risk appetite and limits for all market risks. Bank estimates its market risk using a Group Market Risk approved risk measurement method and reports its market risk exposures to Group Market Risk in agreed formats and at agreed frequencies. Bank provides assurance to Group Market Risk that their market risk capability is robust, their controls are effective and that the quality of data used for risk management purposes meets minimum standards.

The Bank uses the Standardised Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II.

41.2.1 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

Interest rate risk arises from the provision of retail and wholesale banking products and services, as well as structural exposures within the Bank's balance sheet. The Bank's interest rate risk management policies ensure that the interest rate risk is primarily limited to the banking book, which is monitored through approved AEaR and IR stress limits. All loans except for personal loans and staff loans are based on variable prices with up to annual resets. Meanwhile the Bank aims to maintain the liability book with a mix of fixed-rate term deposits, non-interest bearing current and interest-bearing saving deposits.

41.2.1.1 Mismatch of interest rate sensitive assets and liabilities

			2012									
			Exposed to Yield / Interest risk									Non-interest bearing financial instruments
	Effective yield/ Interest rate	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
On-balance sheet financial instruments	%	(Rupees in '000)										
Assets												
Cash and balances with treasury banks	-	4,694,728	1,058,932	-	-	-	-	-	-	-	-	3,635,796
Balances with other banks	0.09 - 3.18	3,711,567	-	-	-	-	-	-	-	-	-	3,711,567
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	9.05 - 9.40	19,402,553	1,991,501	10,885,610	6,525,442	-	-	-	-	-	-	-
Advances - net	0.10- 35.00	17,743,892	11,469,247	4,027,358	1,535,426	158,104	82,861	26,838	46,201	105,864	231,544	60,449
Other assets - net	-	353,121	-	-	-	-	-	-	-	-	-	353,121
		45,905,861	14,519,680	14,912,968	8,060,868	158,104	82,861	26,838	46,201	105,864	231,544	7,760,933
Liabilities												
Bills payable	-	521,584	-	-	-	-	-	-	-	-	-	521,584
Borrowings	7.25 - 10.00	9,291,803	4,878,335	3,236,483	1,176,985	-	-	-	-	-	-	-
Deposits and other accounts	0.01 - 11.75	29,957,830	18,891,855	2,959,912	380,277	764,411	-	-	-	-	-	6,961,375
Other liabilities	-	1,043,109	-	-	-	-	-	-	-	-	-	1,043,109
		40,814,326	23,770,190	6,196,395	1,557,262	764,411	-	-	-	-	-	8,526,068
On-balance sheet gap		5,091,535	(9,250,510)	8,716,573	6,503,606	(606,307)	82,861	26,838	46,201	105,864	231,544	(765,135)
Off-balance sheet financial instruments												
Forward Foreign Exchange Contracts - Long position		2,395,821	1,831,921	563,900	-	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts - Short position		2,448,928	1,912,272	504,687	31,969	-	-	-	-	-	-	-
Off-balance sheet gap		(53,107)	(80,351)	59,213	(31,969)	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(9,330,861)	8,775,786	6,471,637	(606,307)	82,861	26,838	46,201	105,864	231,544	(765,135)
Cumulative Yield/Interest Risk Sensitivity Gap			(9,330,861)	(555,075)	5,916,562	5,310,255	5,393,116	5,419,954	5,466,155	5,572,019	5,803,563	5,038,428

			2011									
			Exposed to Yield / Interest risk									Non-interest bearing financial instruments
	Effective yield/ Interest rate	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
On-balance sheet financial instruments	%	(Rupees in '000)										
Assets												
Cash and balances with treasury banks	-	3,725,801	948,927	-	-	-	-	-	-	-	-	2,776,874
Balances with other banks	0.00 - 2.42	2,649,904	-	-	-	-	-	-	-	-	-	2,649,904
Lendings to financial institutions	11.25 - 11.85	4,038,234	4,038,234	-	-	-	-	-	-	-	-	-
Investments - net	11.90 - 11.94	23,791,214	13,606,234	4,417,060	5,767,920	-	-	-	-	-	-	-
Advances - net	0.23- 35.00	20,998,397	12,736,495	4,452,762	2,723,342	240,207	198,635	81,867	62,986	130,552	301,682	69,869
Other assets	-	590,555	-	-	-	-	-	-	-	-	-	590,555
		55,794,105	31,329,890	8,869,822	8,491,262	240,207	198,635	81,867	62,986	130,552	301,682	6,087,202
Liabilities												
Bills payable	-	573,408	-	-	-	-	-	-	-	-	-	573,408
Borrowings	10.00	4,437,328	-	2,545,528	1,891,800	-	-	-	-	-	-	-
Deposits and other accounts	0.01 - 13.25	44,664,909	28,821,768	3,105,916	3,737,394	2,296,825	-	-	-	-	-	6,703,006
Other liabilities	-	1,376,351	-	-	-	-	-	-	-	-	-	1,376,351
		51,051,996	28,821,768	5,651,444	5,629,194	2,296,825	-	-	-	-	-	8,652,765
On-balance sheet gap		4,742,109	2,508,122	3,218,378	2,862,068	(2,056,618)	198,635	81,867	62,986	130,552	301,682	(2,565,563)
Off-balance sheet financial instruments												
Forward Foreign Exchange Contracts - Long position		5,887,520	1,955,448	2,781,550	1,150,522	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts - Short position		6,205,175	2,067,649	3,201,660	935,866	-	-	-	-	-	-	-
Off-balance sheet gap		(317,655)	(112,201)	(420,110)	214,656	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			2,395,921	2,798,268	3,076,724	(2,056,618)	198,635	81,867	62,986	130,552	301,682	(2,565,563)
Cumulative Yield/Interest Risk Sensitivity Gap			2,395,921	5,194,189	8,270,913	6,214,295	6,412,930	6,494,797	6,557,783	6,688,335	6,990,017	4,424,454

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

	2012	2011
	Rupees in '000	
Total financial assets as per note 41.2.1.1	45,905,861	55,794,105
Add: Non financial assets		
Operating fixed assets	513,034	802,563
Deferred tax assets	1,173,148	1,287,530
Other assets - net	186,224	139,572
Total assets as per statement of financial position	47,778,267	58,023,770
Total financial liabilities as per note 41.2.1.1	40,814,326	51,051,996
Add: Non financial liabilities		
Other liabilities	139,757	47,615
Total liabilities as per statement of financial position	40,954,083	51,099,611

41.2.2 Foreign exchange risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Bank’s principal foreign exchange related contracts include ready, spot, forward and swap foreign exchange contracts. Non-traded foreign exchange risk arises through the provision of banking products and services in foreign currency.

The objectives of foreign exchange risk management function is to minimise the adverse impact of foreign currency assets and liabilities mismatches and maximise the earnings observing the limits set by the Bank. The Bank manages its foreign exchange risks by matching its foreign currency assets and liabilities. The bank also monitors its net foreign currency exposure in accordance with regulatory limits i.e. Foreign Exchange Exposure Limits (FEEL) set by State Bank of Pakistan.

	2012			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	40,586,639	33,889,114	50,753	6,748,278
United States dollar	4,500,500	4,390,113	(39,920)	70,467
Great Britain pound	1,950,459	1,951,559	(734)	(1,834)
Euro	710,144	723,297	7,334	(5,819)
Other currencies	30,525	-	(17,433)	13,092
	47,778,267	40,954,083	-	6,824,184

	2011			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	51,424,576	44,883,037	305,799	6,847,338
United States dollar	4,491,001	3,694,971	(761,069)	34,961
Great Britain pound	1,083,606	1,759,184	693,099	17,521
Euro	990,778	762,419	(214,038)	14,321
Other currencies	33,809	-	(23,791)	10,018
	58,023,770	51,099,611	-	6,924,159

41.2.3 Equity position risk

Equity position risk is the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities. The Bank does not maintain equity portfolio and therefore has no equity risk.

41.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfill commitments to lend.

Liquidity risk is managed by treasury under supervision of the Country's ALCO. Overall ALCO's framework is based on the Group's common terms of reference and policies along with adoption of good practices across the globe.

Bank's sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term. In addition, to avoid reliance on a particular set of customers or market sectors. The distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors’ confidence.

The Bank also maintains a portfolio of highly marketable assets including government securities that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Bank accesses secured funding markets in these assets on a regular basis to ensure market access. The Bank does not rely entirely on committed funding lines for protection against unforeseen interruption to cash flow.

41.3.1 Maturities of Assets and Liabilities - Based on behavioral pattern of assets and liabilities of the Bank

	2012									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	4,694,728	3,638,590	30,878	43,057	63,663	918,540	-	-	-	-
Balances with other banks	3,711,567	3,711,567	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	19,402,553	1,991,501	10,885,610	6,525,442	-	-	-	-	-	-
Advances - net	17,743,892	8,505,232	4,514,239	2,351,409	1,709,650	110,272	50,411	82,484	175,805	244,390
Other assets -net	539,345	22,425	326,271	-	18,023	172,626	-	-	-	-
Operating fixed assets	513,034	17,506	35,014	141,695	62,153	83,045	69,503	77,532	26,586	-
Deferred tax assets	1,173,148	-	-	-	103,444	135,303	161,427	772,974	-	-
	47,778,267	17,886,821	15,792,012	9,061,603	1,956,933	1,419,786	281,341	932,990	202,391	244,390
Liabilities										
Bills payable	521,584	521,584	-	-	-	-	-	-	-	-
Borrowings	9,291,803	4,878,335	3,236,483	1,176,985	-	-	-	-	-	-
Deposits and other accounts	29,957,830	13,908,526	4,181,259	1,259,092	2,409,779	8,199,174	-	-	-	-
Other liabilities	1,182,866	145,580	1,032,403	-	-	4,883	-	-	-	-
	40,954,083	19,454,025	8,450,145	2,436,077	2,409,779	8,204,057	-	-	-	-
Net assets	6,824,184	(1,567,204)	7,341,867	6,625,526	(452,846)	(6,784,271)	281,341	932,990	202,391	244,390
Represented by:										
Head office capital account	10,807,382									
Reserves	-									
Accumulated losses	(3,988,435)									
Surplus on revaluation of securities - net	5,237									
	6,824,184									

	2011									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	3,725,801	2,718,608	35,518	37,452	54,777	879,446	-	-	-	-
Balances with other banks	2,649,904	2,649,904	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,038,234	4,038,234	-	-	-	-	-	-	-	-
Investments - net	23,791,214	13,606,234	4,417,060	5,767,920	-	-	-	-	-	-
Advances - net	20,998,397	9,151,078	5,018,181	3,595,266	2,182,995	231,143	114,458	104,318	230,295	370,663
Other assets	730,127	178,283	387,016	-	164,828	-	-	-	-	
Operating fixed assets	802,563	20,610	41,126	105,315	122,831	195,227	94,709	145,228	77,517	-
Deferred tax assets	1,287,530	-	-	-	268,482	432,098	586,950	-	-	-
	58,023,770	32,362,951	9,898,901	9,505,953	2,793,913	1,737,914	796,117	249,546	307,812	370,663
Liabilities										
Bills payable	573,408	573,408	-	-	-	-	-	-	-	-
Borrowings	4,437,328	-	2,545,528	1,891,800	-	-	-	-	-	-
Deposits and other accounts	44,664,909	22,310,454	4,616,713	4,767,486	4,256,373	8,713,883	-	-	-	-
Other liabilities	1,423,966	262,209	12,519	81,313	1,061,764	6,161	-	-	-	-
	51,099,611	23,146,071	7,174,760	6,740,599	5,318,137	8,720,044	-	-	-	-
Net assets	6,924,159	9,216,880	2,724,141	2,765,354	(2,524,224)	(6,982,130)	796,117	249,546	307,812	370,663
Represented by:										
Head office capital account	9,756,756									
Reserves	-									
Accumulated losses	(2,834,839)									
Surplus on revaluation of securities - net	2,242									
	6,924,159									

Above maturity profile has been prepared on the basis of behavioral pattern of assets and liabilities.

41.3.2 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

The maturity profile set out below has been prepared on the basis of contractual maturities:

	2012									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	4,694,728	4,694,728	-	-	-	-	-	-	-	-
Balances with other banks	3,711,567	3,711,567	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments - net	19,402,553	1,991,501	10,885,610	6,525,442	-	-	-	-	-	-
Advances - net	17,743,892	11,446,327	4,016,515	1,536,952	80,736	110,272	50,411	82,484	175,805	244,390
Other assets -net	539,345	539,345	-	-	-	-	-	-	-	-
Operating fixed assets	513,034	17,506	35,014	141,695	62,153	83,045	69,503	77,532	26,586	-
Deferred tax assets	1,173,148	-	-	-	103,444	135,303	161,427	772,974	-	-
	47,778,267	22,400,974	14,937,139	8,204,089	246,333	328,620	281,341	932,990	202,391	244,390
Liabilities										
Bills payable	521,584	521,584	-	-	-	-	-	-	-	-
Borrowings	9,291,803	4,878,335	3,236,483	1,176,985	-	-	-	-	-	-
Deposits and other accounts	29,957,830	25,853,230	2,959,912	380,277	764,411	-	-	-	-	-
Other liabilities	1,182,866	1,182,866	-	-	-	-	-	-	-	-
	40,954,083	32,436,015	6,196,395	1,557,262	764,411	-	-	-	-	-
Net assets	6,824,184	(10,035,041)	8,740,744	6,646,827	(518,078)	328,620	281,341	932,990	202,391	244,390

Represented by:	
Head office capital account	10,807,382
Reserves	-
Accumulated losses	(3,988,435)
Surplus on revaluation of securities - net	5,237
	6,824,184

	2011									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	3,725,801	3,725,801	-	-	-	-	-	-	-	-
Balances with other banks	2,649,904	2,649,904	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,038,234	4,038,234	-	-	-	-	-	-	-	-
Investments - net	23,791,214	13,606,234	4,417,060	5,767,920	-	-	-	-	-	-
Advances - net	20,998,397	12,697,287	4,418,052	2,613,239	218,942	231,143	114,458	104,318	230,295	370,663
Other assets	730,127	730,127	-	-	-	-	-	-	-	-
Operating fixed assets	802,563	20,610	41,126	105,315	122,831	195,227	94,709	145,228	77,517	-
Deferred tax assets	1,287,530	-	-	-	268,482	432,098	586,950	-	-	-
	58,023,770	37,468,197	8,876,238	8,486,474	610,255	858,468	796,117	249,546	307,812	370,663
Liabilities										
Bills payable	573,408	573,408	-	-	-	-	-	-	-	-
Borrowings	4,437,328	-	2,545,528	1,891,800	-	-	-	-	-	-
Deposits and other accounts	44,664,909	35,524,774	3,105,916	3,737,394	2,296,825	-	-	-	-	-
Other liabilities	1,423,966	1,423,966	-	-	-	-	-	-	-	-
	51,099,611	37,522,148	5,651,444	5,629,194	2,296,825	-	-	-	-	-
Net assets	6,924,159	(53,951)	3,224,794	2,857,280	(1,686,570)	858,468	796,117	249,546	307,812	370,663

Represented by:	
Head office capital account	9,756,756
Reserves	-
Accumulated losses	(2,834,839)
Surplus on revaluation of securities - net	2,242
	6,924,159

The above maturity profile is prepared based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having maturity of up to one month. However based on behavioral pattern, the possibility of these inflows / outflows actually occurring entirely within one month is remote.

41.4 Operational risk

Operational Risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human factors, or from external events. The Bank's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses originate from business / operational process failure, IT security failure, natural disasters, dependence on key suppliers, fraud, service quality compromised, regulatory non-compliance, loss of key staff, social and environmental impacts. The Bank seeks to ensure that key operational risks are managed in an effective and timely manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Operational Risk Objectives

The management of Operational Risk has two key objectives:

- To reduce the impact of losses we suffer in our normal course of business (expected losses) and reduce the likelihood of suffering a large extreme (or unexpected) loss.

- To help the Barclays Group run more effectively / efficiently and provide improved customer service.

Operational Risk Framework

To meet our Operational Risk objectives the Bank has created the Operational Risk and Control Framework which sets out the mandatory requirements for the management and control of Operational Risks in the Barclays Group. The framework comprises of following individual components that, when implemented, drive consistency in the Operational Risk approach across all the business areas.

The components are:

- Risk and Control Assessment
- Key Risk Indicators (KRI)
- Risk Event Reporting

Risk & control assessment structure is ingrained in each business function which helps in ensuring identification of key risks, mitigating controls, testing of effective design and operation of these controls on a continuous basis by business units themselves along with monitoring of highlighted deficiencies and their remediation.

Key Risk Indicators (KRI) are used to actively monitor the key risks across various business units of the Bank.

Risk event reporting helps to identify circumstances where internal controls were not designed correctly or did not operate as intended and to reduce recurrence of such events through appropriate remedial actions.

The Bank has adopted the Basic Indicator Approach (BIA) for calculating operational risk capital charge under Basel II framework. The capital charge is calculated by multiplying the average positive annual gross income of the Bank over the past three years by a fixed percentage of 15%.

Business Continuity and IT controls / system security

Business continuity management (BCM) is an integral part of Bank and has been rigorously deployed throughout the organisation. The main objective of BCM is to protect all stakeholders by minimising impact of a significant disruption, recover business in a controlled manner and ensure Business Continuity as an essential part of business planning and development.

Ownership for BCM is delegated to senior management across every function. With the BCM unit acting as a central resource, they have to ensure adequate awareness within their ranks as well as communicate their requirements for business continuity.

IT Security & IT Controls

The objective of IT Security is to ensure that the security applied to Bank's IT resources, whether internally or externally sourced, adequately safeguards and protects Bank's business interests and assets, supports its control requirements and maintains its reputation. When utilising IT resources it is, therefore, essential that Bank retains ownership and control of its information.

The key steps taken to achieve confidentiality, integrity and availability of information are ensured by implementation of following IT Security Controls:

- System Monitoring
- Cryptography
- Logical Access Management
- Change & Patch Management
- Incident Management
- Electronic Communications IT Security Controls
- Secure External Transfer of Data
- Malicious Code IT Security Controls
- Network IT Security Controls
- Systems Support IT Security Controls

42 DATE OF AUTHORISATION

These financial statements were authorised for issue on _______________ by the management of the Bank.

43 GENERAL

43.1 Comparatives

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. There were no significant reclassifications during the year.

43.2 Figures have been rounded off to the nearest thousand rupees.

SHAZAD G. DADA **Chief Executive Officer**	**ATIF SAEED DAR** **Head of Finance**

Annexure I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2012

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
1	Muhammad Farooq C-37,4TH FLOOR, MOONA SQUARE, JAHANGIR ROAD,NR DATA LAWN, KARACHI	Muhammad Farooq 4210149496873	Abdul Karim	948	121	-	1,069	888	183	39	1,110
2	Ubaidullah Naushahi R-71, JINNAH GARDEN, OPP MALIR CANTT GATE NO 1, KARACHI	Ubaidullah Naushahi 4220186752229	Faqir Muhammed Naushahi	5,962	281	-	6,243	515	156	-	671
3	Mudassar Hassan INAYAT BAGH SHALIMAR LINK, ROAD SHALIMAR GARDEN, LAHORE	Mudassar Hassan 3520150289965	Muhammad Sadiq	2,938	234	-	3,172	140	331	117	588
			Total	9,848	636	-	10,484	1,543	670	156	2,369