BARCLAYS BANK PLC – PAKISTAN BRANCH OPERATIONS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013 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 except for the change as stated in note 3.5 to the financial statements with which we concur;

   (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, 2013 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Afferguson&co

Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: March 28, 2014
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	Note	2013	2012
		------------Rupees in '000------------	
ASSETS			
Cash and balances with treasury banks	6	5,523,422	4,694,728
Balances with other banks	7	404,281	3,711,567
Lendings to financial institutions		-	-
Investments - net	8	27,709,294	19,402,553
Advances - net	9	16,562,348	17,743,892
Operating fixed assets	10	475,496	513,034
Deferred tax assets - net	11	1,098,431	1,173,148
Other assets - net	12	629,384	539,345
		52,402,656	47,778,267
LIABILITIES			
Bills payable	14	1,026,442	521,584
Borrowings	15	4,824,884	9,291,803
Deposits and other accounts	16	38,234,983	30,053,968
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,093,538	1,086,728
		45,179,847	40,954,083
NET ASSETS		7,222,809	6,824,184
REPRESENTED BY			
Head office capital account	18	10,807,382	10,807,382
Reserves		-	-
Accumulated losses		(3,562,242)	(3,988,435)
		7,245,140	6,818,947
(Deficit) / surplus on revaluation of securities - net of tax	19	(22,331)	5,237
		7,222,809	6,824,184
CONTINGENCIES AND COMMITMENTS	20		

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
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES

(Incorporated in England and Wales with limited liability)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		Rupees in '000	
Mark-up / return / interest earned	22	3,801,594	4,492,307
Mark-up / return / interest expensed	23	2,346,891	2,733,763
Net mark-up / interest income		1,454,703	1,758,544
(Reversal) of provision / provision against loans and advances - net	9.3	(25,312)	378,341
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		(25,312)	378,341
Net mark-up / interest income after provisions		1,480,015	1,380,203
Non mark-up / interest income			
Fee, commission and brokerage income		208,697	159,813
Dividend income		-	-
Income from dealing in foreign currencies		315,771	231,193
Loss on sale of securities	24	(203)	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	25	93,313	7,208
Total non mark-up / interest income		617,578	398,214
		2,097,593	1,778,417
Non mark-up / interest expense			
Administrative expenses	26	1,557,299	1,963,349
Other provisions / write offs	12.1	4,334	2,331
Other charges	27	20,205	10,681
Total non mark-up / interest expenses		1,581,838	1,976,361
		515,755	(197,944)
Extra ordinary / unusual items	28	-	(842,882)
Profit / (loss) before taxation		515,755	(1,040,826)
Taxation			
- Current		-	-
- Prior years		-	-
- Deferred	29	89,562	112,770
		89,562	112,770
Profit / (loss) after taxation		426,193	(1,153,596)

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
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	Rupees in '000	
Profit / (loss) after taxation	426,193	(1,153,596)
Other comprehensive income reflected in equity	-	-
	426,193	(1,153,596)
Components of comprehensive income not reflected in equity		
Items that may be reclassified subsequently to profit and loss account		
(Deficit) / surplus on revaluation of available for sale securities - net of tax	(27,568)	2,995
Total comprehensive income / (loss)	398,625	(1,150,601)

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
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		515,755	(1,040,826)
Adjustments:			
Depreciation	10.2	133,359	191,332
Amortisation	10.3	57,974	50,464
(Reversal) of provision / provision against loans and advances - net	9.3	(25,312)	378,341
Other provisions / write offs	12.1	4,334	2,331
Loss on sale of investments	24	203	-
Gain on sale of operating fixed assets		(1,661)	(149)
Impairment on capital work in progress	26	-	548
Reversal of provision against restructuring expenses	25	82,138	-
Extra ordinary / unusual items	28	-	842,882
		251,035	1,465,749
		766,790	424,923
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	4,038,234
Advances		1,206,856	2,876,164
Other assets (excluding advance taxation)		(71,591)	191,245
		1,135,265	7,105,643
Increase / (decrease) in operating liabilities			
Bills payable		504,858	(51,824)
Borrowings from financial institutions		(4,466,919)	4,854,475
Deposits and other accounts		8,181,015	(14,707,079)
Other liabilities		(57,617)	(1,076,278)
		4,161,337	(10,980,706)
		6,063,392	(3,450,140)
Income taxes deducted at source		(22,782)	(2,794)
Net cash generated from / (used in) operating activities		6,040,610	(3,452,934)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(8,349,357)	4,393,268
Investment in operating fixed assets		(172,181)	28,786
Sale proceeds from disposal of property and equipment		2,336	10,844
Net cash (used in) / generated from investing activities		(8,519,202)	4,432,898
CASH FLOW FROM FINANCING ACTIVITIES			
Remittances received from head office as capital		-	1,050,626
Net cash generated from financing activities		-	1,050,626
(Decrease) / increase in cash and cash equivalents		(2,478,592)	2,030,590
Cash and cash equivalents at the beginning of the year		8,406,295	6,375,705
Cash and cash equivalents at the end of the year	32	5,927,703	8,406,295

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
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES

(Incorporated in England and Wales with limited liability)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	Head office capital account	Accumulated losses	Share based payment contribution reserve	Total
	---------- Rupees in '000 ----------			
Balance as at January 1, 2012	9,756,756	(2,834,839)	-	6,921,917
Changes in equity for 2012				
Comprehensive loss after taxation for the year ended December 31, 2012	-	(1,153,596)	-	(1,153,596)
Remittances received from head office as capital	1,050,626	-	-	1,050,626
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
Changes in equity for 2013				
Comprehensive income after taxation for the year ended December 31, 2013	-	426,193	-	426,193
Contribution by Barclays Bank PLC in respect of share-based payments	-	-	26,807	26,807
Recharged balance payable to Barclays Bank PLC in respect of share-based payments	-	-	(26,807)	(26,807)
Balance as at December 31, 2013	10,807,382	(3,562,242)	-	7,245,140

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
Chief Financial Officer

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-2", 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 (2012: 7 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 (IASB) 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 Change in accounting policy arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

3.5.1 IAS 1, 'Presentation of Financial Statements' has been amended effective January 1, 2013. The main change resulting from these amendments is a new requirement for entities to group items presented in 'Other Comprehensive Income (OCI)' on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been reflected in statement of comprehensive income for the year. This change affects presentation only and has no impact on the financial position or performance of the Bank.

3.6 Other standards, interpretation and amendments to published approved accounting standards that are effective in the current year:

There are other new and amended standards, interpretations and amendments 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 therefore not detailed in these financial statements.

3.7 Standards, interpretation and amendments to published approved accounting standards that are not yet effective:

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2014 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.

3.8 Early adoption of standards

The Bank did not early adopt any new or amended standard in 2013.

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 8
ii)	Classification and provisioning against advances	Notes 5.4 and 9
iii)	Useful lives and residual values of operating fixed assets	Notes 5.5 and 10
iv)	Income taxes	Notes 5.7 and 11
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.

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 10.2 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

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.

Branch banking

Deposits & other banking activities for non-corporate customers and management of legacy retail loan portfolio.

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	2013	2012
		Rupees in '000	
In hand			
Local currency		376,256	254,869
Foreign currencies		1,376,756	639,579
		1,753,012	894,448
With State Bank of Pakistan in			
Local currency current account	6.1	2,193,967	2,382,496
Foreign currency current accounts	6.2 & 6.3	433,671	358,712
Foreign currency deposit account	6.4	1,142,772	1,058,932
		3,770,410	3,800,140
National Prize Bonds		-	140
		5,523,422	4,694,728

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 51.871 million (2012: Rs 4.116 million).

6.3 This includes foreign currency cash reserve maintained with the SBP amounting to Rs 381.802 million (2012: Rs 354.596 million) equivalent to at least 5% of the Bank's FE-25 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 FE-25 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 current and last year.

7 BALANCES WITH OTHER BANKS

	Note	2013	2012
		Rupees in '000	
Inside Pakistan			
- In current accounts		16,398	26,624
Outside Pakistan			
- In current accounts	7.1	387,883	3,684,943
		404,281	3,711,567

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 INVESTMENTS - NET

8.1 Investments by type

	Note	2013 Held by Bank	2013 Given as collateral	2013 Total	2012 Held by Bank	2012 Given as collateral	2012 Total
		---Rupees in '000---					
Available-for-sale securities							
Market Treasury Bills		27,743,650	-	27,743,650	14,516,295	4,878,201	19,394,496
Less: Provision for diminution in value of Investments		-	-	-	-	-	-
Investments (net of provisions)		27,743,650	-	27,743,650	14,516,295	4,878,201	19,394,496
(Deficit) / surplus on revaluation of available-for-sale securities - net	19.1	(34,356)	-	(34,356)	5,589	2,468	8,057
Investments at market value		27,709,294	-	27,709,294	14,521,884	4,880,669	19,402,553

8.2 Investments by segment

	Note	2013	2012
		Rupees in '000	
Federal Government Securities			
- Market Treasury Bills	8.2.1 & 8.3	27,709,294	19,402,553

8.2.1 Market Treasury Bills are for a period of upto twelve months (2012: upto twelve months). The market yield ranges from 10.12% to 10.25% per annum (2012: from 8.49% to 9.13% per annum) with maturities up to June 2014 (2012: May 2013).

8.3 Market Treasury Bills amounting to Rs 11,375 million (2012: 11,375 million) [having a fair value of Rs 11,305 million (2012: Rs 11,203 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.

8.4 Quality of available-for-sale securities

	Market value 2013	Market value 2012	Carrying Value 2013	Carrying Value 2012	Long / Medium Term Credit Rating	Rated by
	Rupees in '000		Rupees in '000			
Market Treasury Bills	27,709,294	19,402,553	27,743,650	19,394,496	N/A	

9 ADVANCES - NET

	Note	2013	2012
		Rupees in '000	
Loans, cash credits, running finances, etc. - in Pakistan		14,950,604	16,962,056
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		257,543	269,831
Payable outside Pakistan		2,203,760	1,393,829
		2,461,303	1,663,660
Advances - gross		17,411,907	18,625,716
Provision against advances			
Specific provision against non-performing advances	9.3	(836,337)	(861,791)
General provision against advances	9.3	(13,222)	(20,033)
		(849,559)	(881,824)
Advances - net		16,562,348	17,743,892

9.1 Particulars of advances - gross of provisions

9.1.1		2013	2012
	In local currency	14,398,969	17,178,982
	In foreign currencies	3,012,938	1,446,734
		17,411,907	18,625,716

	Note	2013	2012
		Rupees in '000	
9.1.2 Short term (upto one year)		16,117,968	17,139,680
Long term (over one year)		1,293,939	1,486,036
		17,411,907	18,625,716

9.2 Advances include Rs 836.337 million (2012: Rs 866.541 million) which have been placed under non-performing status as detailed below:

	As at December 31, 2013				
	Classified advances		Total	Provision required	Provision held
	Domestic	Overseas			
	Rupees in '000				
Category of classification					
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	836,337	-	836,337	836,337	836,337
	836,337	-	836,337	836,337	836,337

	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

9.3 Particulars of provision against advances

	Note	2013 Specific	2013 General	2013 Total	2012 Specific	2012 General	2012 Total
		Rupees in '000			Rupees in '000		
Opening balance		861,791	20,033	881,824	474,930	33,615	508,545
Charge for the year		26,744	-	26,744	416,019	-	416,019
Reversals during the year		(45,245)	(6,811)	(52,056)	(24,096)	(13,582)	(37,678)
		(18,501)	(6,811)	(25,312)	391,923	(13,582)	378,341
Amounts written off	9.4	(6,953)	-	(6,953)	(5,062)	-	(5,062)
Closing balance		836,337	13,222	849,559	861,791	20,033	881,824

9.3.1 The Bank has not availed any benefit of forced sale values while determining the provisioning requirements against non-performing advances as at December 31, 2013 (2012: Nil).

9.3.2 Particulars of provision against advances

	2013 Specific	2013 General	2013 Total	2012 Specific	2012 General	2012 Total
	Rupees in '000			Rupees in '000		
In local currency	836,337	13,222	849,559	861,791	20,033	881,824
In foreign currencies	-	-	-	-	-	-
	836,337	13,222	849,559	861,791	20,033	881,824

9.3.3 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.

9.3.4 General provision represents provision amounting to Rs 13.222 million (2012: Rs 20.033 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.

9.4 Particulars of write-offs

	2013	2012
	Rupees in '000	
Against provisions	6,953	5,062
Directly charged to profit and loss account	-	-
	6,953	5,062
Write offs of Rs 500,000 and above	-	1,543
Write offs of below Rs 500,000	5,331	3,519
	5,331	5,062

9.5 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, 2013 is given in Annexure-I.

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

	2013			
	Balance as at January 1, 2013	Loans granted during the year	Loans repaid / transferred during the year	Balance as at December 31, 2013
	----------------------------------- 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	139,344	17,356	64,921	91,779
- executives	379,400	141,001	186,115	334,286
- other officers	73,616	48,830	55,159	67,287

	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

10 OPERATING FIXED ASSETS

	Note	2013	2012
		Rupees in '000	
Capital work-in-progress	10.1	25,823	89,174
Property and equipment	10.2	192,060	290,288
Intangible assets	10.3	257,613	133,572
		475,496	513,034

10.1 Capital work-in-progress

	2013	2012
Civil works	-	2,789
Equipments	7,927	10,320
Software	17,896	71,150
Advances to suppliers and contractors	-	4,915
	25,823	89,174

10.2 Property and equipment

2013

	Cost			Accumulated depreciation / Impairment					
	As at January 1, 2013	Additions / (deletions) / adjustment*	As at December 31, 2013	As at January 1, 2013 (note 10.5)	Charge / (on deletions) / adjustment* / transfer	Impairment charged during the year	As at December 31, 2013	Net book value as at December 31, 2013	Rate of depreciation %per annum
	Rupees in '000								
Owned									
Lease hold improvements	354,439	8,406 (36,545) -	326,300	190,244	33,715 (19,102) (23,344)	-	181,513	144,787	10
Furniture and fixtures	117,373	704 (1,428) -	116,649	97,244	17,464 (1,423) (1,618)	-	111,667	4,982	20
Electrical and office equipment	415,971	8,720 (22,139) -	402,552	359,060	41,610 (21,401) (1,769)	-	377,500	25,052	20
Computer equipment	426,304	6,323 (8,302) -	424,325	378,757	39,438 (8,102) (84)	-	410,009	14,316	20 - 33.33
Vehicles	18,638	2,549 -	21,187	17,132	1,132	-	18,264	2,923	33.33
	1,332,725	26,702 (68,414) -	1,291,013	1,042,437	133,359 (50,028) (26,815) *	-	1,098,953	192,060	

2012

	Cost			Accumulated depreciation / Impairment					
	As at January 1, 2012	Additions / (deletions) / adjustment*	As at December 31, 2012	As at January 1, 2012 (note 10.5)	Charge / (on deletions) / adjustment* / transfer	Impairment charged during the year (note 28.1)	As at December 31, 2012	Net book value as at December 31, 2012	Rate of depreciation %per annum
	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	

10.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs 840.736 million (2012: Rs. 184.142 million).

10.3 Intangible assets

2013

	Cost			Accumulated amortisation / Impairment				
	As at January 1, 2013	Additions / (deletions)	As at December 31, 2013	As at January 1, 2013 (note 10.6)	Charge / (on deletions)	As at December 31, 2013	Net book value as at December 31, 2013	Rate of amortisation % per annum
	Rupees in '000							
Computer software	375,927	182,015	557,942	242,355	57,974	300,329	257,613	20 - 33.33
	375,927	182,015	557,942	242,355	57,974	300,329	257,613	

2012

	Cost			Accumulated amortisation / Impairment				
	As at January 1, 2012	Additions / (deletions)	As at December 31, 2012	As at January 1, 2012 (note 10.6)	Charge / (on deletions)	As at December 31, 2012	Net book value as at December 31, 2012	Rate of amortisation % per annum
	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	

10.3.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs 175.295 million (2012: Rs. 125.126 million).

10.4 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	33,236	16,770	16,466	-	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						
Civil Works	1,577	1,474	103	405	Negotiations	Zahid Brothers
Civil Works	310	154	156	-	Write-off	Not Applicable
Civil Works	1,422	704	718	-	Write-off against reserve	Not Applicable
	36,545	19,102	17,443	405		
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Furniture	116	116	-	165	Negotiations	Saamia International & Signs Now
Furniture	1,151	1,151	-	-	Write-off	Not Applicable
Others	90	90	-	-	Write-off	Not Applicable
Others	71	66	5	-	Write-off against reserve	Not Applicable
	1,428	1,423	5	165		
Electrical and office equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Electrical and office equipment	2,535	2,535	-	1,700	Negotiations	Concept Traders
Electrical and office equipment	9,184	9,007	177	-	Write-off	Not Applicable
Electrical and office equipment	10,184	9,763	421	-	Write-off against reserve	Not Applicable
Electrical and office equipment	72	33	39	-	Write-off	Not Applicable
Mobile phones	164	63	101	66	Write-off / Insurance claims	Adamjee Insurance Co.
	22,139	21,401	738	1,766		
Computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
Computer equipment	7,712	7,612	100	-	Write-off	Not Applicable
Computer equipment	590	490	100	-	Write-off against reserve	Not Applicable
	8,302	8,102	200	-		
2013 - Total	**68,414**	**50,028**	**18,386**	**2,336**		
2012 - Total	**111,883**	**93,484**	**18,399**	**10,844**		

10.5 This includes opening impairment charge on assets amounting to Rs 190.717 million (2012: Rs. 101.652 million)

10.6 This includes opening impairment charge on softwares amounting to Rs 47.331 million (2012 : Rs. 47.331 million)

		Note	2013	2012
11	**DEFERRED TAX ASSETS - NET**		**Rupees in '000**	
	Deferred tax assets - net	11.1	1,098,431	1,173,148

11.1 The balance of deferred tax asset comprises:

Deductible temporary differences on			
- provision against loans and advances		32,196	58,756
- accumulated tax losses	11.2	1,075,590	1,168,425
- impairment on assets		12,736	12,929
- unrealised deficit on revaluation of securities		12,025	-
		1,132,547	1,240,110
Taxable temporary differences on			
- accelerated tax depreciation and amortisation		34,116	64,142
- unrealised surplus on revaluation of securities		-	2,820
		34,116	66,962
		1,098,431	1,173,148

11.2 The Bank has an aggregate amount of Rs. 4,967.053 million (2012: Rs. 5,500.311 million) as unabsorbed tax losses as at December 31, 2013. Out of this amount the management has recognised deferred tax debit balance of Rs. 1,075.590 million (2012: Rs. 1,168.425 million) on losses amounting to Rs. 3,073.113 million (2012: Rs. 3,338.356 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, interest 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.

		Note	2013	2012
12	**OTHER ASSETS - NET**		**Rupees in '000**	
	Income / mark-up accrued in local currency		317,256	320,119
	Income / mark-up accrued in foreign currencies		700	2,727
			317,956	322,846
	Stationery and stamps on hand		761	760
	Advances, deposits, advance rent and prepayments		127,354	165,433
	Advance taxation		38,711	18,023
	Unrealized gain on forward foreign exchange contracts		131,286	9,915
	Others		17,596	24,699
			633,664	541,676
	Less: Provision held against other assets	12.1	4,280	2,331
			629,384	539,345

12.1 Provision held against other assets

Opening balance	2,331	-
Charge for the year	4,334	2,331
Reversals	-	-
Amount written off	2,385	-
Closing balance	4,280	2,331

13 CONTINGENT ASSETS

There are no contingent assets as at December 31, 2013 and December 31, 2012.

14 BILLS PAYABLE

In Pakistan	964,321	462,510
Outside Pakistan	62,121	59,074
	1,026,442	521,584

15 BORROWINGS

	Note	2013	2012
		Rupees in '000	
In Pakistan		4,824,884	9,291,803
Outside Pakistan		-	-
		4,824,884	9,291,803

15.1 Particulars of borrowings with respect to currencies

In local currency		4,824,884	9,291,803
In foreign currencies		-	-
		4,824,884	9,291,803

15.2 Details of borrowings secured / unsecured

Secured			
Borrowings from the State Bank of Pakistan under Export Refinance Scheme	15.3	4,424,884	4,413,468
Repurchase agreement borrowings		-	4,878,335
		4,424,884	9,291,803
Unsecured			
Call borrowings	15.4	400,000	-
		4,824,884	9,291,803

15.3 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 May 2014 (2012: June 2013).

15.4 This represents call borrowing from other banks at the rate of 10.25% per annum (2012: Nil) and is repayable latest by January 2014.

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
		Rupees in '000	
Customers			
Fixed deposits		12,834,017	8,839,568
Savings deposits		16,286,089	14,156,888
Current accounts – Non-remunerative		8,780,019	6,643,857
Margin accounts		264,733	391,690
		38,164,858	30,032,003
Financial institutions			
Non-remunerative deposits		70,125	21,965
		38,234,983	30,053,968

16.1 Particulars of deposits with respect to currencies

In local currency		30,627,453	23,061,314
In foreign currencies		7,607,530	6,992,654
		38,234,983	30,053,968

17 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		269,927	275,317
Mark-up / return / interest payable in foreign currencies		1	39
Accrued expenses		45,567	88,965
Unearned commission		9,779	8,760
Payable to affiliate for information technology related expenditure	17.1	221,093	166,290
Payable for acquisition of fixed assets		1,741	14,792
Unrealized loss on forward foreign exchange contracts		108,433	5,417
Taxes and excise duty payable		11,422	7,580
Payable in respect of employee compensation		212,029	210,416
Payable to Barclays Bank PLC in respect of share based payments		154,975	128,168
Provision for restructuring		1,900	124,718
Workers' Welfare Fund		10,314	-
Others		46,357	56,266
		1,093,538	1,086,728

17.1 This represents cost payable to affiliates for IT expenditure.

		Note	2013	2012
18	**HEAD OFFICE CAPITAL ACCOUNT**		**Rupees in '000**	
	Capital held as:			
	Deposit of un-encumbered approved securities	18.1	10,807,382	10,807,382

18.1 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:

	2013 Face value	2013 Fair value	2013 Maturity	2012 Face value	2012 Fair value	2012 Maturity
	Rupees in '000			Rupees in '000		
Market Treasury Bills	11,375,000	11,305,158	Upto January 2014	11,375,000	11,202,734	Upto May 2013

		Note	2013	2012
19	**(DEFICIT) / SURPLUS ON REVALUATION OF SECURITIES - NET OF TAX**		**Rupees in '000**	
19.1	**(Deficit) / surplus on revaluation of securities - net of tax**			
	Market Treasury Bills	8.1	(34,356)	8,057
	Related deferred tax asset / (liability)		12,025	(2,820)
			(22,331)	5,237

20 CONTINGENCIES AND COMMITMENTS

		2013	2012
20.1	**Direct credit substitutes**		
	Contingent liabilities in respect of guarantees given favoring:		
	- Government	-	-
	- Banking companies and other financial institutions	-	-
	- Others	-	-
		-	-
20.2	**Transaction-related contingent liabilities**		
	Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring:		
	- Government	607,826	607,826
	- Banking companies and other financial institutions	1,763,663	494,355
	- Others	1,070,306	420,767
		3,441,795	1,522,948
20.3	**Trade-related contingent liabilities**		
	Contingent liabilities favoring:		
	- Government	-	482,926
	- Banking companies and other financial institutions	-	-
	- Others	5,880,660	4,817,793
		5,880,660	5,300,719
20.4	**Other contingencies**		
	Claims against the Bank not acknowledged as debt	7,081	6,306

20.5 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.

		2013	2012
20.6	**Commitments in respect of forward exchange contracts**	**Rupees in '000**	
	Purchase	9,864,295	2,395,821
	Sale	8,529,360	2,448,928

20.7 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:

	2013	2012
	Rupees in '000	
Not more than one year	54,598	45,984

20.8 Commitments in respect of repo transactions

	2013	2012
Repurchase	-	4,880,499

	2013	2012
20.9 Commitments for the acquisition of operating fixed assets	11,285	96,080

20.10 Other commitments

	2013	2012
Donations	1,000	2,000

21 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.

	2013	2012
22 MARK-UP / RETURN / INTEREST EARNED	Rupees in '000	
On loans and advances to		
- customers	1,498,903	1,914,084
On investments in		
- available-for-sale securities	2,116,371	2,258,391
On deposits with financial institutions	81,736	87,934
On securities purchased under resale agreements	104,562	231,898
Others	22	-
	3,801,594	4,492,307

23 MARK-UP / RETURN / INTEREST EXPENSED

	2013	2012
On deposits	1,771,917	2,177,278
On securities sold under repurchase agreements	55,011	110,618
On other short term borrowings	374,913	422,109
Others	145,050	23,758
	2,346,891	2,733,763

24 LOSS ON SALE OF SECURITIES - NET

	2013	2012
Federal Government Securities		
- Market Treasury Bills	(203)	-
	(203)	-

		Note	2013	2012
			Rupees in '000	
25	**OTHER INCOME**			
	Reversal of provision against restructuring expenses		82,138	-
	Liabilities written back		-	7,059
	Insurance claim received		9,000	-
	Gain on sale of operating fixed assets		2,175	149
			93,313	7,208
26	**ADMINISTRATIVE EXPENSES**			
	Personnel cost			
	Salaries and allowances	26.3	623,070	802,753
	Medical expenses		16,014	21,157
	Other allowances		6,399	8,392
	Charge in respect of employee retirement plans		37,587	50,415
			683,070	882,717
	Premises cost			
	Rent, taxes, insurance, electricity etc.		216,548	262,232
	Depreciation	10.2	51,179	68,874
	Security expenses		27,287	32,127
	Repairs and maintenance		18,818	22,014
			313,832	385,247
	Other operating cost			
	Expenses in respect of outsourced operation		15,755	19,178
	Communications		64,047	69,639
	Depreciation	10.2	82,180	122,458
	Legal and professional charges		7,479	6,588
	Stationery and printing		21,676	22,503
	Travelling		57,818	65,993
	Repairs and maintenance		57,922	56,946
	Insurance expense		15,062	17,007
	Amortisation	10.3	57,974	50,464
	Training and seminar		1,870	3,115
	Office running expenses		75,982	70,616
	Entertainment		8,384	6,872
	Donations	26.1	1,000	1,000
	Auditors' remuneration	26.2	6,115	6,731
	Fees and subscriptions		1,615	1,699
	Software expenses		47,928	63,819
	Loss on disposal / write off of operating fixed assets		514	-
	Marketing Expenses		4,897	11,565
	Brokerage expense		3,157	4,295
	Miscellaneous expenses		29,022	94,349
	Impairment on capital work in progress		-	548
			560,397	695,385
			1,557,299	1,963,349
26.1	**Donations (exceeding Rs.100,000)**			
	Institute of Business Administration (IBA), Karachi		1,000	1,000
			1,000	1,000

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

		2013	2012
26.2	**Auditors' remuneration**	Rupees in '000	
	Annual audit	1,331	1,331
	Half yearly review	402	402
	Others certifications / reports	1,077	1,014
	Audit of provident fund	190	160
	Taxation services	3,000	3,500
	Out of pocket expenses	115	324
		6,115	6,731

26.3 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 188.001 million (2012: Rs 237.342 million).

		Note	2013	2012
27	**OTHER CHARGES**		**Rupees in '000**	
	Debit Card Charges		9,849	9,040
	Taxes paid		-	2,364
	Penalties imposed by the State Bank of Pakistan		-	354
	Workers' Welfare Fund		10,314	(1,602)
	Other miscellaneous charges		42	525
			20,205	10,681
28	**EXTRA ORDINARY / UNUSUAL ITEMS**			
	Restructuring expenses	28.1	-	842,882
			-	842,882

28.1 During the prior year, the Bank had 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 had recognised following restructuring expenses:

		2013	2012
		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
29	**TAXATION**		
	Deferred tax charge / (income) for the year		
	- Current year	183,367	(363,815)
	- Prior year	(93,805)	476,585
		89,562	112,770
29.1	**Relationship between taxable charge and accounting profit / (loss)**		
	Profit / (loss) before taxation	515,755	(1,040,826)
	Tax calculated at the rate of 35% (2012: 35%)	180,514	(364,289)
	Effect of:		
	- items that are not deductible	3,960	474
	- prior year	(93,805)	476,585
	- others	(1,107)	-
	Tax charge for the year	89,562	112,770

29.2 Income tax returns up to tax year 2013 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.

	2013							
	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	-	-	-	-	146,764	2.44	3,472	1.94
Awarded during the year	-	-	-	-	43,305	3.08	1,483	2.18
Vested during the year	-	-	-	-	62,133	3.06	473	2.18
Lapsed during the year	-	-	-	-	-	-	-	-
Unvested shares at the end of the year	-	-	-	-	127,936	2.64	4,482	2.18

	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

32 CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Rupees in '000	
Cash and balances with treasury banks	6	5,523,422	4,694,728
Balances with other banks	7	404,281	3,711,567
		5,927,703	8,406,295

33 STAFF STRENGTH

	2013	2012
	Number of employees	
Permanent	235	227
On contractual basis	3	-
Bank's own staff strength at the end of the year	238	227
Outsourced	9	22
Total number of employees at the end of the year	247	249

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, 2013. Contributions to the fund are made at 10% of basic salary both by the Bank and the employees.

	2013	2012
	Rupees in '000	
Contribution by the Bank	20,151	28,480
Contribution by the employees	20,151	28,480
	40,302	56,960

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 17.139 million (2012: Rs 21.935 million) to the fund.

35 COMPENSATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES

	Note	2013		2012	
		Chief Executive Officer	Executives	Chief Executive Officer	Executives
		Rupees in '000			
Managerial remuneration	35.1	31,144	232,345	28,549	328,894
Contribution to defined contribution plans		3,806	28,522	3,488	39,935
Rent and house maintenance		9,644	-	9,686	-
Utilities		881	-	860	-
Medical		257	3,801	258	5,094
Conveyance		-	38,521	-	45,732
Other allowances		834	-	1,523	-
		46,566	303,189	44,364	419,655
Number of persons		1	131	1	189

35.1 The Chief Executive Officer is provided with free use of the Bank's cars 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 26.3 and 31 to these financial statements. During the year payment amounting to Rs 177.276 million (2012: Rs 203.884 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	2013		2012	
		Carrying value	Fair value	Carrying value	Fair value
		Rupees in '000			
Assets					
Cash and balances with treasury banks	36.1	5,523,422	5,523,422	4,694,728	4,694,728
Balances with other banks	36.1	404,281	404,281	3,711,567	3,711,567
Investments - net	36.2	27,709,294	27,709,294	19,402,553	19,402,553
Advances - net	36.3	16,562,348	16,282,516	17,743,892	17,435,057
Other assets - net	36.1	465,339	465,339	353,121	353,121
		50,664,684	50,384,852	45,905,861	45,597,026
Liabilities					
Bills payable	36.1	1,026,442	1,026,442	521,584	521,584
Borrowings	36.1	4,824,884	4,824,884	9,291,803	9,291,803
Deposits and other accounts	36.4	38,234,983	38,234,983	30,053,968	30,053,968
Other liabilities	36.1	1,070,375	1,070,375	946,971	946,971
		45,156,684	45,156,684	40,814,326	40,814,326

	2013		2012	
	Notional principal	Fair value	Notional principal	Fair value
	Rupees in '000			
Off-balance sheet financial instruments				
Forward purchase of foreign exchange - net	9,864,295	9,780,025	2,395,821	2,405,478
Forward sale of foreign exchange - net	8,529,360	8,422,237	2,448,928	2,443,769

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, 2013			
	Corporate banking	Trading and sales	Branch banking	Total
	(Rupees in '000)			
Net income / (loss) before provisions	380,511	2,453,120	(761,350)	2,072,281
Non mark-up / interest expense	736,994	126,175	693,357	1,556,526
Net income / (loss)	(356,483)	2,326,945	(1,454,707)	515,755
Segment return on assets (ROA) (%)	-2.10%	7.00%	-58.60%	
Segment cost of funds (%)	6.50%	4.38%	4.06%	

	As at December 31, 2013			
	Corporate banking	Trading and sales	Branch banking	Total
	(Rupees in '000)			
Segment assets before provision against advances	17,184,991	33,119,334	2,947,890	53,252,215
Segment non-performing advances	382,286	-	454,051	836,337
Segment provision required against loans and advances	382,286	-	467,273	849,559
Segment liabilities	19,921,265	587,451	24,671,131	45,179,847

	For the year ended December 31, 2012			
	Corporate banking	Trading and sales	Branch 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	Branch 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

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 employment agreement.

	Note	2013	2012
		Rupees in '000	
Balances as at year end			
Group			
Nostro balances with other branches of Barclays Bank PLC		355,092	3,609,435
Payable to affiliate for IT expenditure	17	221,093	166,290
Payable to affiliate for staff recharges		-	636
Payable to Barclays Bank PLC			
in respect of share-based payments	17	154,975	128,168
Other receivables from Barclays entities		5,264	6,810
Deposits held from affiliates		69,782	5,633
Commitments in respect of forward exchange contracts - Purchase		1,923,693	19,383
Commitments in respect of forward exchange contracts - Sale		1,923,693	19,383
Unrealised loss on forward exchange contracts		16	67
Unrealised gain on forward exchange contracts		23,913	-
Guarantees issued to other branches of Barclays Bank PLC		1,279,547	138,799
Key Management Personnel			
Loans and advances	9.6	91,779	139,344
Deposits		12,409	17,785
Others			
Deposits of staff retirement benefit fund		236,789	49,405
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		5,879	7,599
Charged by Barclays Bank PLC in respect of share-based payments		26,807	42,116
Additions to capital work in progress		118,838	41,059
Expense for IT expenditure		51,669	13,278
Key Management Personnel			
Markup / interest / income earned		2,977	3,458
Markup / interest / income expensed		5	1,040
Salaries and benefits		242,290	132,625
Post-retirement benefits		9,910	12,013
Others			
Contributions to staff retirement benefit fund	34.1	20,151	28,480
Contributions to other staff retirement benefit fund	34.2	17,139	21,935
Interest paid on deposits of staff retirement benefit funds		21,661	18,672

40 CAPITAL - ASSESSMENT AND ADEQUACY BASEL SPECIFIC

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of Banks vide its communication dated February 4, 2014. These disclosures are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by Banks in Pakistan. The SBP has specified a transitional period till 2018 for the implementation of Basel III. The comparative information is as per Basel II requirements which were applicable last year.

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.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs.10 billion by the year ended December 31, 2013. The raise was to be achieved in a phased manner requiring Rs. 10 billion capital (net of losses) by the end of the financial year 2013. 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 the 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 account (net of losses) of the Bank for the year ended December 31, 2013 stands at Rs 7.245 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposures of the Bank. The Bank's CAR as at December 31, 2013 was 31.70% of its risk weighted exposure.

40.2 Capital Structure

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:

  a) Common Equity Tier 1 (CET1), which includes Head office capital account, general reserves and accumulated losses, after deduction of deficit on revaluation of available-for-sale investments and book value of intangibles.

  b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after certain specified deductions.

  Presently the Bank does not have any AT1 Capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets) and reserves on revaluation of available for sale investments (upto a maximum of 45% net of tax).

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.

40.3 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

Particulars	Note	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment
		Rupees in '000		
Common Equity Tier 1 capital (CET1): Instruments and reserves				
- Fully paid-up capital / capital deposited with the SBP	18	10,807,382	-	10,807,382
- Balance in share premium account		-	-	-
- Reserve for issue of bonus shares		-	-	-
- General / statutory reserves / other reserves		-	-	-
- Gain / (losses) on derivatives held as cash flow hedge		-	-	-
- Accumulated losses		(3,562,242)	-	(3,988,435)
- Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-	-
CET 1 before regulatory adjustments		**7,245,140**	**-**	**6,818,947**
Common Equity Tier 1 capital: Regulatory adjustments				
- Goodwill (net of related deferred tax liability)		-	-	-
- All other intangibles (net of any associated deferred tax liability)		275,509	-	207,648
- Shortfall of provisions against classified assets		-	-	-
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-	1,041,474	-
- Defined-benefit pension fund net assets		-	-	-
- Reciprocal cross holdings in CET1 capital instruments		-	-	-
- Cash flow hedge reserve		-	-	-
- Investment in own shares / CET1 instruments		-	-	-
- Securitization gain on sale		-	-	-
- Capital shortfall of regulated subsidiaries		-	-	-
- Deficit on account of revaluation from bank's holdings of property / AFS		22,331	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	-	-
- Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	-	-
- Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	-	-
- Amount exceeding 15% threshold of which:		-		
- significant investments in the common stocks of financial entities		-	-	-
- deferred tax assets arising from temporary differences		-	-	-
- National specific regulatory adjustments applied to CET1 capital		-	-	-
- Investment in TFCs of other banks exceeding the prescribed limit		-	-	-
- Any other deduction specified by the SBP		-	-	-
- Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-	-	-
Total regulatory adjustments applied to CET1		**297,840**	**1,041,474**	**207,648**
Common Equity Tier 1 (a)		**6,947,300**		**6,611,299**

* This column highlights items that are still subject to Basel III treatment during the period.

Particulars	Note	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment
Additional Tier 1 (AT 1) Capital				
- Qualifying Additional Tier-1 instruments plus any related share premium of which:				
- classified as equity		-	-	-
- classified as liabilities		-	-	-
- Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties of which:				
- instrument issued by subsidiaries subject to phase out		-	-	-
AT1 before regulatory adjustments		-	-	-

Particulars	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment
	----------------------	Rupees in '000	----------------------
Additional Tier 1 Capital: regulatory adjustments			
- Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
- Investment in own AT1 capital instruments	-	-	-
- Reciprocal cross holdings in additional Tier 1 capital instruments	-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
- Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
- Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-
- Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
Total of regulatory adjustment applied to AT1 capital	-	-	-
Additional Tier 1 capital	-	-	-
Additional Tier 1 capital recognised for capital adequacy (b)	-		-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	**6,947,300**		**6,611,299**
Tier 2 Capital			
- Qualifying Tier 2 capital instruments under Basel III	-	-	-
- Capital instruments subject to phase out arrangement from Tier 2	-	-	-
- Tier 2 capital instruments issued to third party by consolidated subsidiaries of which:			
- instruments issued by subsidiaries subject to phase out	-	-	-
- General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	13,222	-	20,033
- Revaluation reserves of which:			
- revaluation reserves on property	-	-	-
- unrealized gain on AFS	-	-	3,626
- Foreign exchange translation reserves	-	-	-
- Undisclosed / other reserves (if any)	-	-	-
T2 before regulatory adjustments	**13,222**	**-**	**23,659**
Tier 2 Capital: regulatory adjustments			
- Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
- Reciprocal cross holdings in Tier 2 instruments	-	-	-
- Investment in own Tier 2 capital instrument	-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
- Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of regulatory adjustment applied to T2 capital	**-**	**-**	**-**
Tier 2 capital (T2)	13,222		23,659
Tier 2 capital recognised for capital adequacy	13,222		23,659
Excess additional Tier 1 capital recognised in Tier 2 capital	-		-
Total Tier 2 capital admissible for capital adequacy (d)	**13,222**		**23,659**
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	**6,960,522**		**6,634,958**
Total risk weighted assets (i=f+g+h)	**21,954,179**		**22,282,860**

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2013 Amount	2012 Basel II treatment
	---------- Rupees in '000 ----------	
Total Credit Risk Weighted Assets (f)	17,751,079	18,129,947
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment of which:	1,041,474	-
- recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
- deferred tax assets	1,041,474	-
- defined-benefit pension fund net assets	-	-
Total Market Risk Weighted Assets (g)	76,800	85,838
Total Operational Risk Weighted Assets (h)	4,126,300	4,067,075
Capital ratios and buffers (in percentage of risk weighted assets)		
- CET1 to total RWA (a / i)	31.64%	29.67%
- Tier-1 capital to total RWA (c / i)	31.64%	29.67%
- Total capital to RWA (e / i)	31.70%	29.78%
- Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:		
- capital conservation buffer requirement	N/A	N/A
- countercyclical buffer requirement	N/A	N/A
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	N/A	N/A
- CET1 available to meet buffers (as a percentage of risk weighted assets)	31.64%	29.67%
National minimum capital requirements prescribed by SBP		
- CET1 minimum ratio	5%	N/A
- Tier 1 minimum ratio	6.5%	N/A
- Total capital minimum ratio	10%	10%
Amounts below the thresholds for deduction (before risk weighting)		
- Non-significant investments in the capital of other financial entities - net	-	-
- Significant investments in the common stock of financial entities	-	-
- Deferred tax assets arising from temporary differences	-	-
(net of related tax liability)	56,957	-
Applicable caps on the inclusion of provisions in Tier 2		
- Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	13,222	20,033
- Cap on inclusion of provisions in Tier 2 under standardized approach	221,888	226,624
- Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
- Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.4 Capital Adequacy

Capital is generally generated via earnings from operating businesses. This is augmented through investment from the head office. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO). ALCO is responsible for managing the Bank's capital position vis-à-vis internal as well as regulatory requirements.

Capital is used primarily to support asset growth in the Bank's businesses and is sufficient to absorb unexpected market, credit or operational losses.

For credit risk, the capital requirement is based on the risk assessment (hereinafter called credit rating) made by External Credit Assessment Institutions (ECAIs) recognized as eligible by SBP for capital adequacy purposes. Bank then assigns a risk weight individually to all its on-balance sheet and off-balance sheet exposures. Risk weights are based on external rating grade or a fixed weight that is broadly aligned with the likelihood of counterparty default.

For market risk, capital is allocated in respect of the exposure to risks deriving from changes in interest rates, in the Banks' banking book, and in respect of exposure to risks deriving from changes in foreign exchange rates in the overall banking activity.

Under the Basic Indicator Approach, the capital charge for operational risk is a fixed percentage (12.5%) of average positive annual gross income of the Bank over the past three years. Figures for any year in which annual gross income is negative or zero, is excluded from both the numerator and denominator when calculating the average.

The eligible capital to risk weight assets ratio, calculated in accordance with State Bank's guidelines on the capital adequacy is as follows :

	2013		2012	
40.4.1 Risk-weighted exposures	**Book value**	**Risk adjusted value**	**Book value**	**Risk adjusted value**
	---------------------------	(Rupees in '000)	---------------------------	
Credit risk				
Balance sheet items				
Cash and balances with treasury banks	5,523,422	77,807	4,694,728	6,174
Balances with other banks	404,281	80,857	3,711,567	742,314
Lendings to financial institutions	-	-	-	-
Investments - net	27,709,294	-	19,402,553	-
Advances - net	16,562,348	13,267,741	17,743,892	13,764,436
Operating fixed assets	475,496	199,987	513,034	305,386
Deferred tax assets - net	1,098,431	1,098,431	1,173,148	1,173,148
Other assets - net	629,384	180,167	539,345	206,584
	52,402,656	14,904,990	47,778,267	16,198,042
Off-balance sheet items				
Transaction related contingent liabilities	3,441,795	1,006,035	1,522,948	458,395
Trade related contingent liabilities	5,880,660	1,738,456	5,300,719	1,351,436
Commitments for the acquisition of operating fixed assets	11,285	11,285	96,080	96,080
Commitments in respect of forward exchange contracts				
- Purchase	9,864,295	16,629	2,395,821	12,305
- Sale	8,529,360	73,684	2,448,928	13,689
	27,727,395	2,846,089	11,764,496	1,931,905
Credit risk-weighted exposures		17,751,079		18,129,947
Market risk				
- General market risk		47,525		2,275
- Specific market risk		29,275		83,563
Market risk-weighted exposures		**76,800**		**85,838**
Operational risk		4,126,300		4,067,075
Total risk-weighted exposures		21,954,179		22,282,860

40.4.2 Capital adequacy

	Note	Capital Requirements		Risk Weighted Assets	
		2013	2012	2013	2012
Credit risk		---------------------------- Rupees in '000 ----------------------------			
Portfolios subject to standardised approach					
On balance sheet items					
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominatied in currencies other than PKR		7,781	617	77,807	6,174
Public Sector Entities		-	9,568	-	95,681
Banks / DFI		20,201	107,059	202,007	1,070,592
Corporate		1,294,867	1,300,148	12,948,671	13,001,475
Retail		2,315	13,925	23,152	139,249
Secured by residential property		17,477	19,500	174,768	195,003
Past due loans		-	475	-	4,750
Operating fixed assets		19,999	30,539	199,987	305,386
Other assets		127,860	137,973	1,278,597	1,379,732
		1,490,500	1,619,804	14,904,989	16,198,042
Off-balance sheet items					
Public Sector Entities		6,078	20,025	60,783	200,250
Banks / DFI		43,900	12,139	439,004	121,388
Corporate		224,445	148,794	2,244,455	1,487,943
Others		1,154	9,633	11,535	96,330
Outstanding foreign exchange contracts		9,031	2,599	90,313	25,994
		284,608	193,190	2,846,090	1,931,905
Total credit risk		1,775,108	1,812,994	17,751,079	18,129,947
Market Risk - capital requirement for portfolios subject to standardised approach					
- Interest rate risk		4,753	228	47,525	2,275
- Equity position risk		-	-	-	-
- Foreign exchange risk		2,928	8,356	29,275	83,563
Total market risk		7,681	8,584	76,800	85,838
Operational Risk - Capital requirement for operational risks					
Total operational risk		412,630	406,708	4,126,300	4,067,075
Total		2,195,419	2,228,286	21,954,179	22,282,860

Capital adequacy ratio

	Note	2013	2012
Total eligible regulatory capital held	(a)	6,960,522	6,634,958
Total risk weighted assets	(b)	21,954,179	22,282,860
Capital adequacy ratio	(a) / (b)	31.70%	29.78%

40.5 Capital Structure Reconciliation

40.5.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	Statement of financial position as in published financial statements	Under regulatory scope of reporting
	As at December 31, 2013	
	--------------(Rupees in '000)------------	
Assets		
Cash and balances with treasury banks	5,523,422	5,523,422
Balances with other banks	404,281	404,281
Lendings to financial institutions	-	-
Investments - net	27,709,294	27,709,294
Advances - net	16,562,348	16,562,348
Operating fixed assets	475,496	475,496
Deferred tax assets - net	1,098,431	1,098,431
Other assets - net	629,384	629,384
Total assets	**52,402,656**	**52,402,656**
Liabilities and equity		
Bills payable	1,026,442	1,026,442
Borrowings	4,824,884	4,824,884
Deposits and other accounts	38,234,983	38,234,983
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,093,538	1,093,538
Total liabilities	**45,179,847**	**45,179,847**
Head office capital account	10,807,382	10,807,382
Reserves	-	-
Accumulated losses	(3,562,242)	(3,562,242)
Minority interest	-	-
(Deficit) / surplus on revaluation of securities - net of tax	(22,331)	(22,331)
Total equity	**7,222,809**	**7,222,809**
Total liabilities and equity	**52,402,656**	**52,402,656**

40.5.2 Reconciliation of statement of financial position to eligible regulatory capital

Particulars	Reference	Statement of financial position as in published financial statements	Under regulatory scope of reporting
		As at December 31, 2013	
		--------------(Rupees in '000)------------	
Assets			
Cash and balances with treasury banks		5,523,422	5,523,422
Balances with other banks		404,281	404,281
Lendings to financial institutions		-	-
Investments of which:		27,709,294	27,709,294
- *non-significant capital investments in capital of other financial institutions exceeding 10% threshold*	a	-	-
- *significant capital investments in financial sector entities exceeding regulatory threshold*	b	-	-
- *mutual funds exceeding regulatory threshold*	c	-	-
- *reciprocal crossholding of capital instrument*	d	-	-
- *others*	e	-	-

Particulars	Reference	Statement of financial position as in published financial statements	Under regulatory scope of reporting
		--------------(Rupees in '000)------------	
Advances		16,562,348	16,562,348
- *shortfall in provisions / excess of total EL amount over eligible provisions under IRB*	f	-	-
- *general provisions reflected in Tier 2 capital*	g	13,222	13,222
Operating fixed assets of which:		475,496	475,496
- *Intangibles*	h	275,509	275,509
Deferred tax assets - net of which:		1,098,431	1,098,431
- *DTAs excluding those arising from temporary differences*	i	1,041,474	1,041,474
- *DTAs arising from temporary differences exceeding regulatory threshold*	j	-	-
Other assets - net of which:		629,384	629,384
- *goodwill*	k	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**52,402,656**	**52,402,656**
Liabilities and Equity			
Bills payable		1,026,442	1,026,442
Borrowings		4,824,884	4,824,884
Deposits and other accounts		38,234,983	38,234,983
Sub-ordinated loans of which:		-	-
- *eligible for inclusion in AT1*	m	-	-
- *eligible for inclusion in Tier 2*	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- *DTLs related to goodwill*	o	-	-
- *DTLs related to intangible assets*	p	-	-
- *DTLs related to defined pension fund net assets*	q	-	-
- *other deferred tax liabilities*	r	-	-
Other liabilities		1,093,538	1,093,538
Total liabilities		**45,179,847**	**45,179,847**
Share capital of which:		10,807,382	10,807,382
- *amount eligible for CET1*	s	10,807,382	10,807,382
- *amount eligible for AT1*	t	-	-
Reserves of which:		-	-
- *portion eligible for inclusion in CET1 - Statutory reserves*	u	-	-
- *portion eligible for inclusion in CET1 - General and other reserves*		-	-
- *portion eligible for inclusion in Tier 2*	v	-	-
Accumulated losses	w	(3,562,242)	(3,562,242)
Minority Interest of which:		-	-
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		(22,331)	(22,331)
- *Revaluation reserves on property*		-	-
- *Unrealized gains / losses on AFS securities*	aa	(22,331)	(22,331)
- *In case of deficit on revaluation (deduction from CET1)*	ab	-	-
Total liabilities and equity		**52,402,656**	**52,402,656**

40.5.3 Basel III Disclosure (with added column)

	Particulars	Source based on reference number from 40.5.2	Component of regulatory capital reported by the bank
			(Rupees in '000)
	Common equity Tier 1 capital (CET1): instruments and reserves		
1	Fully paid-up capital / Head office capital account		10,807,382
2	Balance in share premium account	(s)	-
3	Reserve for issue of bonus shares		-
4	General / statutory reserves	(u)	-
5	Gain / (losses) on derivatives held as cash flow hedge		-
6	Accumulated losses	(w)	(3,562,242)
7	Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	**CET 1 before Regulatory Adjustments**		**7,245,140**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(k) - (o)	
10	All other intangibles (net of any associated deferred tax liability)	(h) - (p)	275,509
11	Shortfall of provisions against classified assets	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * 0%	-
13	Defined-benefit pension fund net assets	(l) - (q) * 0%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS securities	(aa)	22,331
20	Investments in the capital instruments of banking, financial and insurance - entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, - financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital		-
25	Investment in TFCs of other banks exceeding the prescribed limit		-
26	Any other deduction specified by the SBP		-
27	Regulatory adjustment applied to CET1 due to insufficient AT1 and - Tier 2 to cover deductions		-
28	Total regulatory adjustments applied to CET1		297,840
	Common equity tier 1		**6,947,300**
	Additional Tier 1 (AT 1) Capital		
29	Qualifying additional Tier-1 instruments plus any related share premium		-
	of which:		
30	- classified as equity	(t)	-
31	- classified as liabilities	(m)	-
32	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
33	- of which: instrument issued by subsidiaries subject to phase out		-
34	**AT1 before regulatory adjustments**		-

	Particulars	Source based on reference number from 40.5.2	Component of regulatory capital reported by the bank
			(Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
35	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
36	Investment in own AT1 capital instruments		-
37	Reciprocal cross holdings in additional Tier 1 capital instruments		-
38	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
39	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
40	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
41	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-
42	Total of regulatory adjustment applied to AT1 capital		-
43	Additional Tier 1 capital		-
44	**Additional Tier 1 capital recognised for capital adequacy**		-
	Tier 1 Capital (CET1 + admissible AT1)		**6,947,300**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III		-
46	Capital instruments subject to phase out arrangement from Tier 2	(n)	-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	
	- of which: instruments issued by subsidiaries subject to phase out		-
48	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	13,222
49	Revaluation reserves eligible for Tier 2 of which:		-
50	- portion pertaining to property		-
51	- portion pertaining to AFS securities		-
52	Foreign exchange translation reserves	(v)	-
53	Undisclosed / other reserves (if any)		-
54	**T2 before regulatory adjustments**		**13,222**
	Tier 2 Capital: regulatory adjustments		
55	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56	Reciprocal cross holdings in Tier 2 instruments		-
57	Investment in own Tier 2 capital instruments		-
58	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60	Amount of regulatory adjustment applied to T2 capital		-
61	Tier 2 capital (T2)		13,222
62	Tier 2 capital recognised for capital adequacy		13,222
63	Excess additional Tier 1 capital recognised in Tier 2 capital		-
64	Total Tier 2 capital admissible for capital adequacy		13,222
	TOTAL CAPITAL (T1 + admissible T2)		**6,960,522**

40.6 Main features of regulatory capital instruments

S.No	Main Features	Common Shares
1	Issuer	Not Applicable
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable
3	Governing law(s) of the instrument	Not Applicable
	Regulatory treatment	
4	Transitional Basel III rules	Not Applicable
5	Post-transitional Basel III rules	Not Applicable
6	Eligible at solo/ group/ group&solo	Not Applicable
7	Instrument type	Not Applicable
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	Not Applicable
9	Par value of instrument	Not Applicable
10	Accounting classification	Not Applicable
11	Original date of issuance	Not Applicable
12	Perpetual or dated	Not Applicable
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately	Not Applicable
	senior to instrument	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

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:

- Identify the Bank's significant risks;
- Formulate the Bank's risk appetite and ensure that the business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and coordination of risk taking across the business.

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

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

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 III specific

The Bank has adopted standardised approach of Basel III 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 & Poor's and Moody's.

41.1.5.2 Types of exposures and ECAIs used

Exposures	PACRA	JCR-VIS	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 III requirements.

41.1.5.3 Credit exposures subject to standardised approach

		2013		
Exposures	**Rating category**	**Amount outstanding**	**Deduction CRM**	**Net amount**
Corporate	1-6	6,002,169	-	6,002,169
	Unrated	19,159,384	-	19,159,384
Banks	1-5	11,082,919	-	11,082,919
	Unrated	5,707,192	-	5,707,192
Sovereigns	Not applicable	31,427,835	-	31,427,835
	4-6	51,870	-	51,870
Public Sector Entities (PSEs)	1-6	607,826	-	607,826
	Unrated	-	-	-
Other assets	Unrated	3,773,587	-	3,773,587
		77,812,782	-	77,812,782

		2012		
Exposures	**Rating category**	**Amount outstanding**	**Deduction CRM**	**Net amount**
Corporate	1-6	6,080,672	-	6,080,672
	Unrated	16,812,445	-	16,812,445
Banks	1-5	7,656,565	-	7,656,565
	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	3,423,850	-	3,423,850
		59,325,852	-	59,325,852

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

	2013					
	Gross advances		Deposits		Contingencies (include amounts mentioned in 20.2 and 20.3)	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Automobile and transportation equipment	42,139	0.24%	284,787	0.74%	190,532	2.04%
Cement	-	0.00%	82,321	0.22%	208,247	2.23%
Chemical and pharmaceuticals	1,200,953	6.90%	3,235,493	8.46%	1,526,968	16.38%
Construction	-	0.00%	161,481	0.42%	-	0.00%
Electronics and electrical appliances	1,164,577	6.69%	63,822	0.17%	552,436	5.93%
Exports / imports	-	0.00%	7,211	0.02%	-	0.00%
Financial	-	0.00%	636,675	1.67%	1,770,673	18.99%
Food & beverages	3,644,644	20.93%	358,808	0.94%	1,455,501	15.61%
Footwear and leather garments	152,746	0.88%	194,939	0.51%	79,677	0.85%
Individuals	1,078,741	6.20%	20,440,153	53.46%	-	0.00%
Insurance	-	0.00%	538,206	1.41%	-	0.00%
Iron and Steel	11,202	0.06%	247	0.00%	-	0.00%
Metal & Allied	149,558	0.86%	237,660	0.62%	1,451,247	15.57%
Others	553,934	3.18%	3,768,722	9.86%	122,215	1.31%
Paper and packaging	393,570	2.26%	6,363	0.02%	576,385	6.18%
Power (electricity), gas, water, sanitary	1,301	0.01%	3,977,976	10.40%	642,383	6.89%
Services	530,408	3.05%	1,818,288	4.76%	123,742	1.33%
Sugar	366,742	2.11%	654	0.00%	-	0.00%
Textile	7,793,594	44.76%	83,017	0.22%	535,846	5.75%
Tobacco	325,999	1.87%	893,269	2.34%	-	0.00%
Transport, storage and communication	1,799	0.01%	1,392,308	3.64%	86,603	0.93%
Wholesale & Retail Trade	-	0.00%	52,583	0.14%	-	0.00%
	17,411,907	100%	38,234,983	100.00%	9,322,455	100%

	2012					
	Gross advances		Deposits		Contingencies (include amounts mentioned in 20.2 and 20.3)	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Foresty, Hunting and Fishing	-	0.00%	54,378	0.18%	-	0.00%
Automobile and transportation equipment	114,574	0.62%	426,992	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%	2,748,793	9.15%	1,825,911	26.76%
Construction	-	0.00%	15,912	0.05%	-	0.00%
Electronics and electrical appliances	786,393	4.22%	49,992	0.17%	66,945	0.98%
Exports / imports	-	0.00%	1,051	0.00%	-	0.00%
Financial	-	0.00%	78,356	0.26%	494,855	7.25%
Food & beverages	4,058,412	21.79%	108,293	0.36%	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	55.98%	-	0.00%
Insurance	-	0.00%	409,205	1.36%	-	0.00%
Iron and Steel	109,052	0.59%	260	0.00%	-	0.00%
Metal & Allied	145,433	0.78%	-	0.00%	104,301	1.53%
Others	533,713	2.87%	2,072,444	6.90%	89,763	1.32%
Paper and packaging	347,418	1.87%	-	0.00%	292,373	4.28%
Power (electricity), gas, water, sanitary	1,479,690	7.94%	2,943,986	9.80%	1,407,391	20.63%
Services	537,902	2.89%	1,511,604	5.03%	201,759	2.96%
Sugar	399,427	2.14%	602	0.00%	-	0.00%
Textile	6,234,228	33.47%	87,257	0.29%	722,424	10.59%
Tobacco	902,507	4.85%	1,218,505	4.05%	14,460	0.21%
Transport, storage and communication	106,941	0.57%	1,438,080	4.78%	24,487	0.36%
Wholesale & Retail Trade	-	0.00%	48,705	0.16%	-	0.00%
	18,625,716	100.00%	30,053,968	100.00%	6,823,667	100.00%

41.1.6.2 Segment by sector

	2013					
	Gross advances		Deposits		Contingencies	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	-	0.00%	1,211,668	3.17%	607,826	6.52%
Private	17,411,907	100.00%	37,023,315	96.83%	8,714,629	93.48%
	17,411,907	100.00%	38,234,983	100.00%	9,322,455	100.00%

	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%	29,106,212	96.84%	5,732,915	84.02%
	18,625,716	100.00%	30,053,968	100.00%	6,823,667	100.00%

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

	2013		2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Chemical and pharmaceuticals	187,900	187,900	187,900	187,900
Electronics and electrical appliances	144,788	144,788	144,788	144,788
Food & beverages	49,998	49,998	59,497	54,747
Individuals	430,808	430,808	436,296	436,296
Others	19,152	19,152	20,347	20,347
Power (electricity), gas, water, sanitary	1,200	1,200	15,222	15,222
Textile	2,491	2,491	2,491	2,491
	836,337	836,337	866,541	861,791

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

Public / Government	-	-	-	-
Private	836,337	836,337	866,541	861,791
	836,337	836,337	866,541	861,791

41.1.6.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies
	Rupees in '000			
Pakistan	515,755	52,402,656	7,222,809	9,322,455
	515,755	52,402,656	7,222,809	9,322,455

	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

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 III.

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 savings deposits.

41.2.1.1 Mismatch of interest rate sensitive assets and liabilities

	2013											
			Exposed to Yield / Interest risk									
	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	Non-interest bearing financial instruments
On-balance sheet financial instruments	%	(Rupees in '000)										
Assets												
Cash and balances with treasury banks	-	5,523,422	1,142,772	-	-	-	-	-	-	-	-	4,380,650
Balances with other banks	0.03 - 1.91	404,281	-	-	-	-	-	-	-	-	-	404,281
Investments - net	10.12 - 10.25	27,709,294	13,740,359	7,352,396	6,616,539	-	-	-	-	-	-	-
Advances - net	0.10- 35.00	16,562,348	9,156,841	5,575,255	1,249,129	93,480	27,517	24,249	43,421	99,686	230,251	62,519
Other assets - net	-	465,339	-	-	-	-	-	-	-	-	-	465,339
		50,664,684	24,039,972	12,927,651	7,865,668	93,480	27,517	24,249	43,421	99,686	230,251	5,312,789
Liabilities												
Bills payable	-	1,026,442	-	-	-	-	-	-	-	-	-	1,026,442
Borrowings	8.4 - 10.25	4,824,884	400,000	3,728,884	696,000	-	-	-	-	-	-	-
Deposits and other accounts	0.01 - 9.86	38,234,983	25,993,114	1,908,130	753,965	464,896	-	-	-	-	-	9,114,878
Other liabilities	-	1,070,375	-	-	-	-	-	-	-	-	-	1,070,375
		45,156,684	26,393,114	5,637,014	1,449,965	464,896	-	-	-	-	-	11,211,695
On-balance sheet gap		5,508,000	(2,353,142)	7,290,637	6,415,703	(371,416)	27,517	24,249	43,421	99,686	230,251	(5,898,906)
Off-balance sheet financial instruments												
Forward Foreign Exchange Contracts - Long position		9,864,295	2,465,292	7,185,003	214,000	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts - Short position		8,529,360	2,174,094	6,355,266	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,334,935	291,198	829,737	214,000	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(2,061,944)	8,120,374	6,629,703	(371,416)	27,517	24,249	43,421	99,686	230,251	(5,898,906)
Cumulative Yield/Interest Risk Sensitivity Gap			(2,061,944)	6,058,430	12,688,133	12,316,717	12,344,234	12,368,483	12,411,904	12,511,590	12,741,841	6,842,935

	2012											
			Exposed to Yield / Interest risk									
	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	Non-interest bearing financial instruments
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
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	30,053,968	18,891,855	2,959,912	380,277	764,411	-	-	-	-	-	7,057,513
Other liabilities	-	946,971	-	-	-	-	-	-	-	-	-	946,971
		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

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

	2013	2012
	Rupees in '000	
Total financial assets as per note 41.2.1.1	50,664,684	45,905,861
Add: Non financial assets		
Operating fixed assets	475,496	513,034
Deferred tax assets	1,098,431	1,173,148
Other assets - net	164,045	186,224
Total assets as per statement of financial position	52,402,656	47,778,267
Total financial liabilities as per note 41.2.1.1	45,156,684	40,814,326
Add: Non financial liabilities		
Other liabilities	23,163	139,757
Total liabilities as per statement of financial position	45,179,847	40,954,083

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.

	2013			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	46,047,835	37,506,607	(1,346,513)	7,194,715
United States dollar	5,179,605	4,674,368	(498,547)	6,690
Great Britain pound	921,616	2,157,168	1,236,569	1,017
Euro	233,634	841,704	609,289	1,219
Other currencies	19,966	-	(798)	19,168
	52,402,656	45,179,847	-	7,222,809

	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

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

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

The maturity profile set out below has been prepared on the basis of behavioral pattern of assets and liabilities.

	2013									
	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	5,523,422	4,310,658	39,346	49,671	73,631	1,050,116	-	-	-	-
Balances with other banks	404,281	404,281	-	-	-	-	-	-	-	-
Investments - net	27,709,294	13,740,359	7,352,396	6,616,539	-	-	-	-	-	-
Advances - net	16,562,348	5,696,160	6,152,180	2,209,058	1,953,348	51,355	47,282	76,783	142,268	233,914
Other assets -net	629,384	-	629,384	-	-	-	-	-	-	-
Operating fixed assets	475,496	11,744	22,998	58,495	62,891	116,464	97,782	97,656	7,466	-
Deferred tax assets - net	1,098,431	-	-	-	164,172	181,544	188,179	564,536	-	-
	52,402,656	24,163,202	14,196,304	8,933,763	2,254,042	1,399,479	333,243	738,975	149,734	233,914
Liabilities										
Bills payable	1,026,442	1,026,442	-	-	-	-	-	-	-	-
Borrowings	4,824,884	400,000	3,728,884	696,000	-	-	-	-	-	-
Deposits and other accounts	38,234,983	19,724,465	3,346,943	1,961,232	2,750,868	10,451,475	-	-	-	-
Other liabilities	1,093,538	-	1,093,538	-	-	-	-	-	-	-
	45,179,847	21,150,907	8,169,365	2,657,232	2,750,868	10,451,475	-	-	-	-
Net assets	7,222,809	3,012,295	6,026,939	6,276,531	(496,826)	(9,051,996)	333,243	738,975	149,734	233,914
Represented by:										
Head office capital account	10,807,382									
Reserves	-									
Accumulated losses	(3,562,242)									
Deficit on revaluation of securities - net	(22,331)									
	7,222,809									

	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	-	-	-	-	-	-	-	-
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 - net	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	30,053,968	14,004,664	4,181,259	1,259,092	2,409,779	8,199,174	-	-	-	-
Other liabilities	1,086,728	49,442	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									

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:

	2013									
	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	5,523,422	5,523,422	-	-	-	-	-	-	-	-
Balances with other banks	404,281	404,281	-	-	-	-	-	-	-	-
Investments - net	27,709,294	13,740,359	7,352,396	6,616,539	-	-	-	-	-	-
Advances - net	16,562,348	5,696,160	6,152,180	2,209,058	1,953,348	51,355	47,282	76,783	142,268	233,914
Other assets -net	629,384	629,384	-	-	-	-	-	-	-	-
Operating fixed assets	475,496	11,744	22,998	58,495	62,891	116,464	97,782	97,656	7,466	-
Deferred tax assets - net	1,098,431	-	-	-	164,172	181,544	188,179	564,536	-	-
	52,402,656	26,005,350	13,527,574	8,884,092	2,180,411	349,363	333,243	738,975	149,734	233,914
Liabilities										
Bills payable	1,026,442	1,026,442	-	-	-	-	-	-	-	-
Borrowings	4,824,884	400,000	3,728,884	696,000	-	-	-	-	-	-
Deposits and other accounts	38,234,983	35,107,992	1,908,130	753,965	464,896	-	-	-	-	-
Other liabilities	1,093,538	1,093,538	-	-	-	-	-	-	-	-
	45,179,847	37,627,972	5,637,014	1,449,965	464,896	-	-	-	-	-
Net assets	7,222,809	(11,622,622)	7,890,560	7,434,127	1,715,515	349,363	333,243	738,975	149,734	233,914
Represented by:										
Head office capital account	10,807,382									
Reserves	-									
Accumulated losses	(3,562,242)									
Deficit on revaluation of securities - net	(22,331)									
	7,222,809									

	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	-	-	-	-	-	-	-	-
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 - net	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	30,053,968	25,949,368	2,959,912	380,277	764,411	-	-	-	-	-
Other liabilities	1,086,728	1,086,728	-	-	-	-	-	-	-	-
	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									

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 III 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 March 28, 2014 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.

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

SHAZAD G. DADA **Chief Executive Officer**	**ATIF SAEED DAR** **Chief Financial Officer**

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, 2013

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 fin-ancial 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	IMRAN ASHRAF ZAIN PAINT, SHOP#37, ST#30, NAZIR BEGUM MASJID WALI GALI, UMER, PARK,OUT FALL RD,BAJWA MARRIAGE HAL, LAHORE	IMRAN ASHRAF 3520286073833	MUHAMMAD ASHRAF	497	450	-	947	149	507	11	667
2	KHURRAM IZHAR KHAN 148-D, MODEL TOWN, LAHORE	KHURRAM IZHAR KHAN 3520255162127	IZHAR UL HAQ KHAN	796	468	-	1,264	80	477	-	557
3	MUHAMMAD ALI FLAT # B1-B8, MEMON COMPLEX,BLOCK M, NORTH NAZIMABAD, KARACHI	MUHAMMAD ALI 4210117437361	MUHAMMAD YOUSUF	2,336	177	-	2,513	350	237	-	587
4	SYED ZULFIQAR HAIDER BUKHARI FLAT NO. A-303, ERUM SHOPPING MALL, GULISTAN-E-JOHAR BLOCK-13, KARACHI	SYED ZULFIQAR HAIDER BUKHARI 4220148543801	SYED ZAFAR MAHMOOD BUKHARI	2,125	163	-	2,288	425	208	-	633
5	SYED TAUFIQ MEHDI NAQVI SYED TAUFI MEHDI C/O M ARSHAD, 11-C WARIS ROAD, LAHORE	SYED TAUFIQ MEHDI NAQVI 3520231230133	SYED TASAWAR HUSSAIN	4,168	300	-	4,468	618	374	-	992
6	LOTUS FOODS 306 & 307 SHAHEEN CENTRE, PLOT NO. DC-5, BLOCK-7, CLIFTON, KARACHI	HAROON YOUSUF 42301-4451494-9	MUHAMMAD YOUSUF	9,500	1,464	-	10,964	-	2,051	-	2,051
			Total	**19,422**	**3,022**	**-**	**22,444**	**1,622**	**3,854**	**11**	**5,487**