

## Serving you in many ways

- Most attractive Deposit Schemes
- Agriculture Loans for small farmers in the form of Benazir Zarei Card
- Tractor Loans
- SME/ Women Entrepreneurs
- Student Loans for Post Graduation
- e-Banking and ATM facilities, including BISP Card



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

  
**SINDH BANK**  
POWER TO THE PEOPLE

Annual Report  
2012

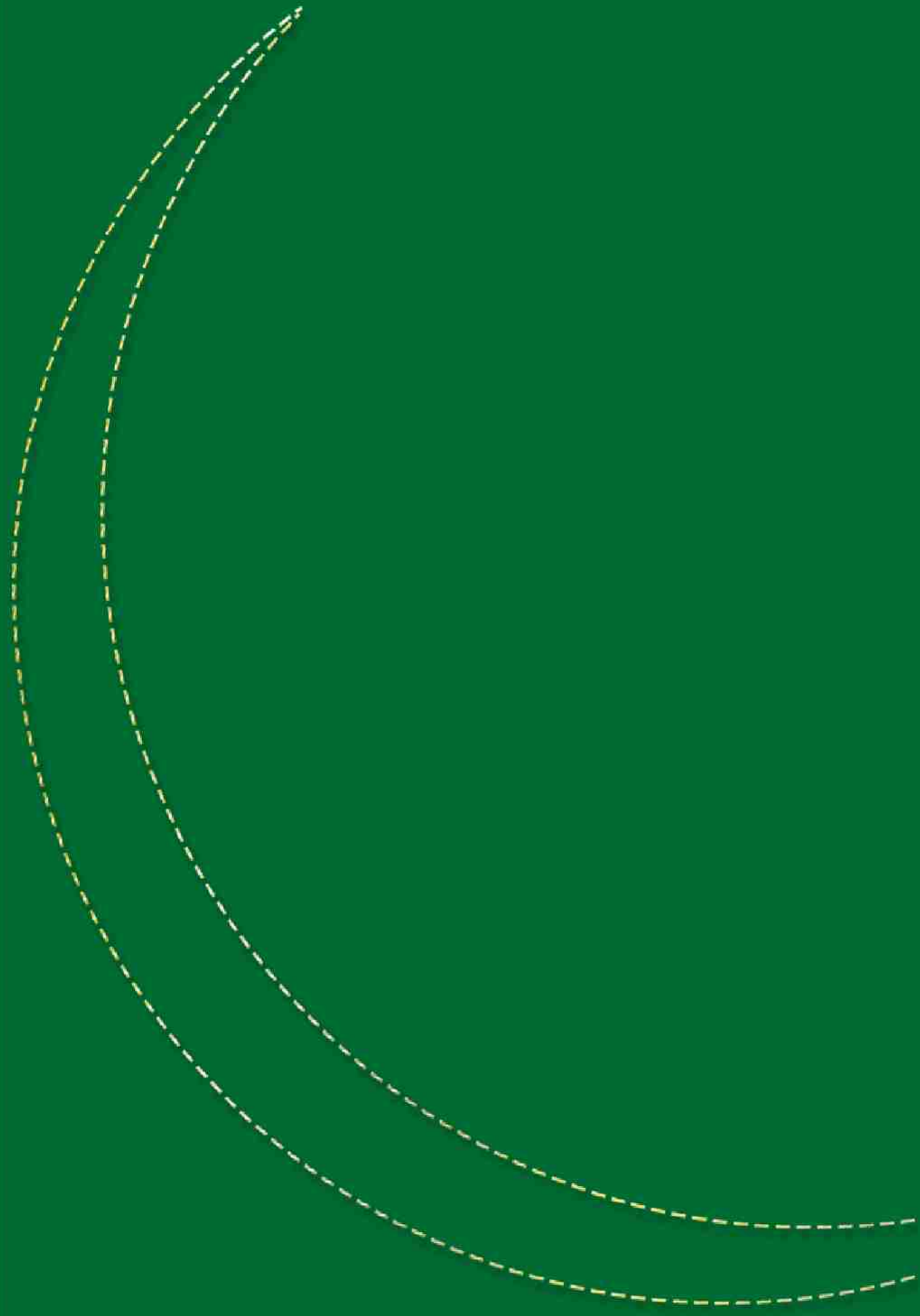


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**SINDH BANK**  
POWER TO THE PEOPLE

3rd Floor, Federation House,  
Abdullah Shah Ghazi Road, Clifton, Karachi-75600  
UAN: +92-21-111-333-225  
Web: [www.sindhbankltd.com](http://www.sindhbankltd.com)

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



# Vision & Mission

## Vision

Our vision is to be a leading bank which would play positive role to generate economic activities for empowering the people by meeting their financial needs for running a successful business and create employment opportunities.

## Mission

To develop as leading Commercial Bank in the country by meeting its stated objectives of promoting economic development of the country in general and Province of Sindh in particular.

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IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDBANK**  
POWER TO THE PEOPLE



## Corporate Information

### Board of Directors

Raja Muhammad Abbas  
Arif Ahmed Khan  
Naveed Kamran Baloch\*  
M. Shahid Murtaza  
M. Naeem Sahgal  
Afzal Ghani\*\*  
Muhammad Bilal Sheikh

Chairman  
Director  
Director  
Director  
Director  
President & CEO  
Executive Director

### Chief Operating Officer

Naim Farooqui

### Chief Financial Officer

Latif Khawar

### Company Secretary

Shamsuddin Khan

### Auditors

Anjum Asim Shahid Rahman  
Chartered Accountants

### Legal Advisors

Mohsin Tayebaly & Co.

### Share Registrar

Central Depository Company  
of Pakistan Limited

### Registered / Head Office

3rd, Floor Federation House  
Abdullah Shah Ghazi Road  
Clifton, Karachi - 75600  
UAN: +92-21-111-333-225  
Fax: +92-21-35870543

Bank's Registration Number 0073917

Bank's NTN Number 3654008-7

Web site [www.sindhbankltd.com](http://www.sindhbankltd.com)

\* Co-opted on February 25, 2013

\*\* Co-opted in place of Mr. Wazir Ali Khoja on February 25, 2013

## Corporate Objectives



Sindh Bank's vision for promoting economic activities to empower the people of Pakistan and create employment opportunities brings upon it an onerous responsibility to deliver results. Thus the Bank's policies would be focused on:

- Enhancing small farmers access to institutional credit and supporting national strategy for increasing agricultural output by funding farm and non-farm projects.
- Promoting SME sector by providing financial solutions to small and medium size entrepreneurs.
- Funding projects which would yield economic benefits to the country.
- Supporting projects that would empower women.
- Providing banking facilities in the unbanked areas particularly in the province of Sindh.
- Providing e-banking services to enable bank's customers to have fast and easy access for meeting their banking requirements by installing the most modern and efficient technological applications that would satisfy customers' expectations.
- Fulfilling its Corporate Social Responsibility in all segments of life particularly in promoting and enhancing education in the country by supporting and funding meritorious students for higher education in the form of interest free student loans with job guarantee in Sindh Bank.
- Laying a sound foundation for the bank and deliver attractive value for the shareholders' investments while remaining within the ambit of regulatory requirements.



## Chairman's Message

On behalf of the Directors of Sindh Bank Limited I am pleased to present the 2nd Audited Balance Sheet for the year ended December 31, 2012. The progress that the Bank achieved during its second year of operations was multidimensional that is consistent growth in network, technology, business volume, product offerings and market reach.

### Economy's Review

The year 2012 witnessed a modest improvement in economic situation as GDP registered a 3.7% growth as compared to 3% growth in the earlier year but fell short of the targeted growth rate of 4.2%. This outcome was not that unexpected since Pakistan had energy shortages, security concerns and floods in the two earlier years. Supply side remained strong as the growth was broad based and all the major sectors including services registered increases. Consumer Price Index (CPI) remained relatively stable and inflation rate is placed at 11% which is less than 12% in the earlier year. The capital market, one of the main barometers of economy and a reflection of public perception & confidence, remained buoyant. Stock Market Index has been at all time high and remains one of the best performing markets in the world. Turnover and volumes traded has also been high. Workers' remittances during FY 12 are recorded at US \$ 13.2 billion against the target of US\$ 12.5 billion.

However, investment remained sluggish and increase in budget deficit emerged as a major challenge to macroeconomic stability. The increasing circular debt is a big threat for Public Sector Enterprises (PSEs) and unless the revenue base is expanded and efficiently managed the situation cannot be improved. We are hopeful that the outcome of the measures that are being taken will help improve macroeconomic situation in FY 13 and the business climate will be more conducive.

### Bank's Performance

For Sindh Bank 2012 was a successful year in all respects. As our strategy for the year was on expansion of our network and have a reach to all major business centers, 110 new branches (including 10 sub-branches) were added to the network and now it stands at 160 branches in 80 cities across Pakistan as against 50 branches as on December 31, 2011. Deposits totaled Rs. 31.469 billion as compared to Rs. 23.517 billion as on December 31, 2011 registering an increase of 33.8%. On a positive note the ratio of Govt. of Sindh deposits and other deposits stood at 30:70 which not only reflects public/customers' confidence but also portrays efforts of executives and staff managing Bank's affairs. Advances registered a commendable growth and amounted to Rs. 19.282 billion as on December 31, 2012 as compared to Rs. 7.259 billion as on December 31, 2011. Investments in Treasury products and Capital Market registered a growth of 140% and are placed at Rs.62.631 billion as compared to Rs. 26.081 billion as on December 31, 2011.

The Bank earned a pre-tax profit of Rs. 1,286 million registering an increase of 13% over the profit of Rs. 1,140 million in the last period of fourteen months. Considering the Capital Expenditure the bank incurred on establishing 110 new branches, of which a large number became operational in the second half of 2012, this reflects excellent results. We are hopeful that our new branches will contribute in expanding business and generating deposit from their respective service areas during 2013.

It is a matter of satisfaction that the JCR-VIS maintained Bank's long-term entity rating of 'AA-' (Double A Minus) with a stable outlook, and a short-term rating of 'A-1' (Single A-One). This further strengthens our confidence in the manner affairs of the bank are being run. We are hopeful that the Bank Management will endeavour to improve it further.

Bank is a partner in development activities undertaken by Government of Pakistan and Government of Sindh and has made all arrangements to run government sponsored projects effectively be it Benazir Income Support Program (BISP), Waseela -e- Haq, Tractor Subsidies Scheme or recently introduced Lyari Development Authority Plotting Scheme. Sindh Bank is also participating in GoS sponsored Jhirk Mullah Katiyar Bridge project over River Indus connecting Jhirk with Tando Mohammad Khan.

We believe in empowering people at the grass root level. We believe that product development and innovation should be an ongoing process and are hopeful that in coming years we will have a wider range of market based competitive products.

### Investment in Human Capital

The Bank values its staff and is proud to be among the few financial institutions that have established in-house training facilities. Training is imparted in diversified disciplines for all levels as per individual and organizational needs. Besides, staff is nominated in ex-house training programs offered by renowned consultancies. Our focus is on investing in human capital and are sure that such measure will help in preparing a team of professional bankers.

### Acknowledgments

I would like to thank Government of Sindh, State Bank of Pakistan and Securities Exchange Commission of Pakistan for their continued support and guidance that has helped us in establishing prudent banking practices. I am sure of their support in future too. Thanks to our customers who have reposed their confidence in our Bank. We wouldn't have achieved such growth if they were not our business partners. I appreciate efforts, commitment and team work of Banks' Executives and staff that has helped us in achieving such results. On behalf of the BOD I assure them of our support for consistent career growth.

Raja Muhammad Abbas  
Chairman

## Agricultural Loans

Sindh Bank's Agriculture loan policy focuses on supporting the small farmers in meeting their funding requirements for the purchase of inputs for farming and other implements. Furthermore, the Bank's policy is geared towards boosting the agricultural production in the country to meet its growing demand.





## Major Achievements 2012 & Milestones Set for 2013



### Major Achievements 2012

- Establishing a network of 160 online branches all over the country.
- Expanding the retail deposit base: Non- Government of Sindh (GoS) deposits increased by 324%.
- Improvement in profits despite significant increase in branch network which initially are not contributing to the profitability of the bank.
- Participation in Government of Sindh (GoS) Benazir Income Support Program (BISP) till date Sindh Bank has served 27,273 beneficiaries with two separate disbursements involving a total of Rs 145 Million.
- Participation in Government of Sindh (GoS) Waseela-e-Haq (Sindh) The bank has successfully disbursed Rs 881 Million to 5,873 beneficiaries under the first tranche.
- Set up of full fledged professional Training Department.
- Various technologies related IT initiatives.
- Development of Agri related products for small farmers for the purchase of fertilizer seeds and agriculture implants.

### Milestones Set for 2013

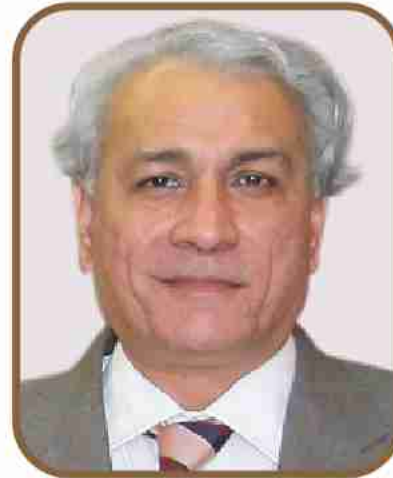
- Expanding branch network to 200 branches.
- Attractive new deposit schemes and lending products for low income group.
- Successful participation in Hajj Application Scheme.
- Improvement in credit rating.
- Setting up branchless banking facilities with further advancement in e-banking related technology.

## Board of Directors



**Raja Muhammad Abbas**  
Government of Sindh

Presently Chief Secretary, Government of Sindh. A career civil servant, he has remained associated with important government positions at federal and provincial levels. He is also the Ex-officio Chairman of the Board of Directors.



**Arif Ahmed Khan**  
Government of Sindh

Presently is Additional Chief Secretary of the Government of Sindh. He is a career civil servant and holds a Master's degree from Canada.



**M. Naeem Sahgal**  
Independent Director

Mr. Sahgal is a Supreme Court Advocate and a Partner of Walker Martineue Saleem, an eminent law firm of the country. He possesses Master's degree in law from UK.



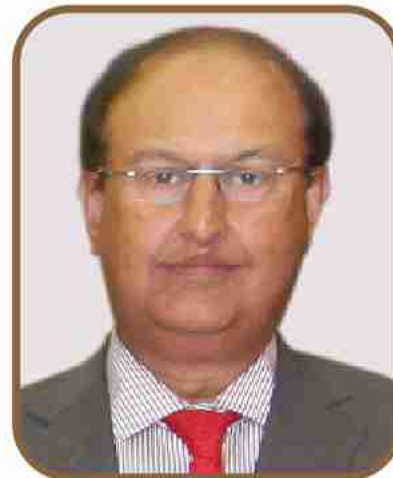
**Afzal Ghani**  
Independent Director

Mr. Ghani is a Senior Chartered Accountant and a Business Executive, having vast experience as a Professional, Business Executive and Corporate Expert.



**Naveed Kamran Baloch**  
Government of Sindh

Presently Finance Secretary of the Government of Sindh. A career civil servant with 25 years of experience in Public and District administration. He has done his Master's from London School of Economics.



**M. Shahid Murtaza**  
Independent Director

Mr. Shahid Murtaza has been a career banker. Presently he is associated with Al-Abid Silk Mills as Adviser. He is an Independent Director on the Board.



**M. Bilal Sheikh**  
President & CEO/Executive Director

Mr. Sheikh is a career Banker having experience of over 45 years. He has been Chief Executive of various Banks and DFIs for the last 15 years. Presently he is the President and Chief Executive of the Bank.



## Committees of the Board

Name of Committee	Status
<b>Executive Committee</b>	
Arif Ahmed Khan	Chairman
Naveed Kamran Baloch	Member
M. Shahid Murtaza	Member
President/CEO	Member
Secretary to Board	Secretary
<b>Audit Committee</b>	
M. Naeem Sahgal	Chairman
Raja Muhammad Abbas	Member
Afzal Ghani*	Member
Head of Internal Audit	Secretary
<b>Risk Management Committee</b>	
M. Shahid Murtaza	Chairman
Arif Ahmed Khan	Member
President/CEO	Member
Head of Risk Management	Secretary
<b>Information Technology Committee</b>	
Naveed Kamran Baloch	Chairman
Arif Ahmed Khan	Member
M. Shahid Murtaza	Member
President/CEO	Member
Head of Information Technology	Secretary
<b>Human Resource Committee</b>	
Afzal Ghani*	Chairman
Naveed Kamran Baloch	Member
President/CEO	Member
Head of Human Resource	Secretary

\* Co-opted on February 25, 2013

## Most Attractive Deposit Schemes

Through a wide range of financial services, Sindh Bank is trying to create an economic environment in the country that will play a great role in the economic development of the country. For this purpose, Sindh Bank has launched many attractive Savings Account and Deposit Schemes for its customers. The customers of Sindh Bank now have a better opportunity to deposit their money for higher profits.



Rs.

## Entity Ratings



### Long term AA- Short term A-1 Outlook- Stable

Definitions by JCR-VIS Credit Rating Co. Ltd.

#### AA-

High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

#### A-1

High certainty of timely payments. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

## Statement of Ethics and Business Practices

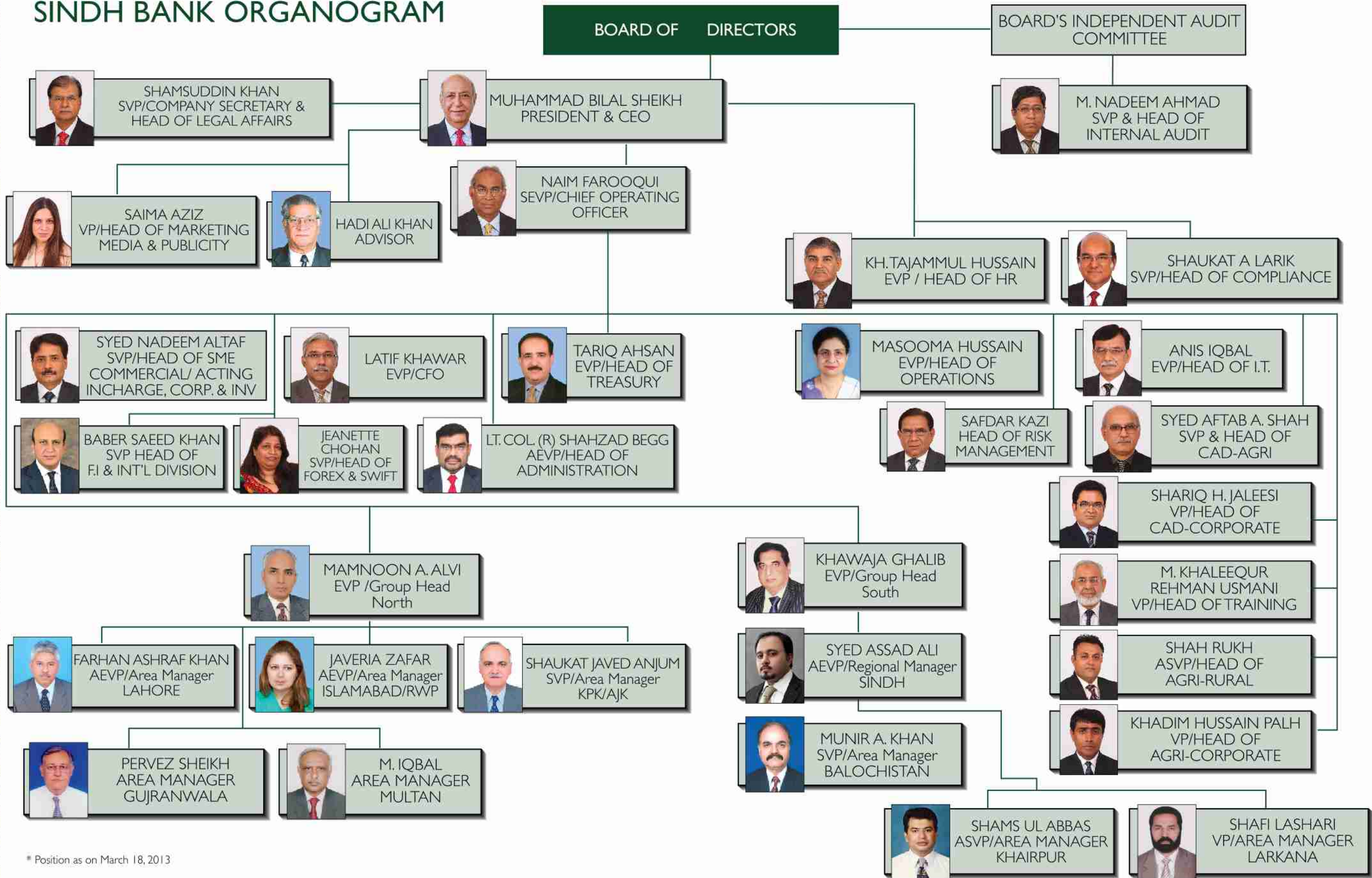
This Statement of Ethics and Business Practices applies to all Employees of Sindh Bank Limited. It strives to set forth certain standards and rules of conduct followed in the corporate entities, globally. Our culture of ethics and integrity shall from the beginning define who we are as a Bank and how we as colleagues treat each other, our customers and stakeholders. This Statement of Ethics and Business Practices attempts to introduce the Employees to the types of attitudes and conduct that create an honest, fair, and legal workplace. It will be surrounded by 3 basic beliefs:

- Respect for the Individual • Service to the Customer • Striving for Excellence

#### General Principles and Significant Aspects of Code of Ethics:

1. We will abide by the laws of the Country in all activities at work and beyond. Any suspected material violation of a law, regulation or ethical standard must be reported to the appropriate level of authority within the Bank. Where appropriate, the authority will report to the relevant statutory authority.
2. We will always demonstrate high standard of conduct at work place or outside as good citizens of Pakistan.
3. We will adhere to a high level of professional practices commensurate with Banks's aim to achieve growth in earning for shareholders over the long term undertaking business compatible with our character and business norms.
4. We will behave with integrity and honesty in our dealing with customers, colleagues, supervisors and all others with whom we interact.
5. We, as the Bank employees have a responsibility towards all stakeholders to make decisions strictly on the basis of Bank's interests, without regard to personal gain. A conflict of interest can arise when one's judgment could be influenced, or might appear as being influenced, by the possibility of personal benefit. Even if it's not intentional, the appearance of a conflict may be just as damaging to employees' and Bank's reputation, as an actual conflict. We would always be on the lookout for situations that may create a conflict of interest, and do everything they can to avoid them.
6. Situation may arise holding an employee in conflict of his interest with the interest of the Bank. In such situation, to enable the Bank to make objective decisions, the employee must declare in advance the possible conflict of interest, to his/her senior. The management may require the employee to dissociate him/her from any involvement in a decision by the Bank that relates to such personal conflict.
7. Our involvement in an outside activity or any external position held must not give rise to any real or apparent conflict with a customer's interest, must not adversely reflect on the Bank and must not interfere with an individual's performance.
8. We will not solicit or accept gifts, sponsorship, hospitality or favor which would compromise, or give the appearance of compromising our position or any business decision taken by or on behalf of the Bank. Accepting gifts and entertainment can cause a conflict of interest, or the appearance of a conflict between personal interests and professional responsibility. The Bank's culture is to never accept gifts or entertainment from any supplier, potential supplier, or any person the employee has reason to believe may be seeking to influence business decisions or transactions.
9. We, besides working with honesty and faithfulness shall maintain strict secrecy regarding the Bank's affairs and the affairs of its constituents and subsidiaries, if any. We shall use our utmost endeavors to promote the interest of the Bank and shall show courtesy and attention in all dealing with customers.
10. We shall not use for personal gain or benefit or, except insofar as it is necessary in the regular course of business, disclose to anyone within or outside the Bank any information obtained in the course of work that is of confidential nature. We will not disclose intentionally or carelessly, any information that is of confidential nature without the prior approval from the respective departmental head. In official communication with prospective communication with prospective or current client, ensure that information is given only on need to know basis.
11. We shall not engage in any other profession, trade or business activity for remuneration or enter into the employment of any other person firm or company. An engagement in social and welfare service beyond normal office hours may however, be encouraged.
12. We shall not make any false or misleading statement in relation to our appointment or performance of our duties in the Bank. To ensure accuracy of information that would be provided to the public, the employees are prohibited from making any statement, including statements about financial matters (written or verbal) on behalf of the Bank to media, news publication, business publications, or any other source without prior approval from the respective department of the Bank.
13. Personal, social and unofficial visits during working hours are discouraged. In the event of an emergency, visitors may be entertained outside the work area, or in the designated reception area to ensure confidentiality of information and minimum disruption.
14. We shall not bring or attempt to bring political or other influence, directly or indirectly, nor shall we take part in, subscribe to and or assist in any way, any political activity.
15. If we are found involved or convicted in a criminal offence, we shall immediately bring to the notice of the management through our head of department or, if arrested and released on bail, soon after such release.
16. We shall generally dissuade from following evils:
  - Inappropriate conduct • Sexual harassment • Corruption and Retaliation • Discriminatory behavior
  - Grapevine and Gossips • Intentional dishonesty • Drug abuse and anti environmental activities
  - Insider trading • Money laundering

# SINDH BANK ORGANOGRAM



\* Position as on March 18, 2013

## Student Loan Program

Sindh Bank Limited's student finance cum employment program for Post-graduation is in accordance with the directives of the President of Pakistan and with a view to enhance education in the country and support meritorious students who otherwise cannot afford cost of post graduation education. The Students of Universities/Colleges recognized by Higher Education Commission are eligible to apply for this interest free scheme with job guarantee in Sindh Bank.



## Our Islamabad Branch Providing Solutions, Empowering People





## Benazir Zarai Card

"Benazir Zarai Card" was introduced to improve farmers' access to agricultural credit facility that would enable them to purchase quality farming products such as seeds, fertilizers, pesticides etc. The Benazir Zarai Card has a validity of three years and farmers can avail loans up to Rs 500,000 using this card against Agri Pass Book.





## Directors' Report

The Board of Directors is pleased to present its 2nd Annual audited financial statements for the year ended December 31, 2012. The year under review was a successful one in all respects be it the financial results, network expansion or infrastructure growth. We are thankful to Almighty Allah and are proud to become the fastest growing yet solid financial institution of Pakistan. We now have our presence in 80 cities across the country with 160 branches providing innovative products and services. Our network of sub - branches; 6 in interior Sindh and 2 each in Karachi and Lahore are catering well to the needs of our priority customers. **We have achieved what we had planned.**

Details of our Region wise net work and the number of cities covered is given below:

Region	December 2012		December 2011
	No. of Branches	No. of Cities	No. of Branches
SOUTH (Sindh & Baluchistan)	97	47	37
NORTH (Punjab, KPK, AJK)	53	33	13
SUB BRANCHES	10	-	-
TOTAL	160	80	50

Operating results and appropriations, as recommended by the Board are given below:

	(Rupees in '000)
Profit for the year	1,286,427
Taxation	398,655
Profit after Taxation	887,772
Appropriations:	
Statutory Reserve	177,554
Revenue Reserve	-
Profit after Appropriation	710,218
Earnings per share - Rupee	0.89

### PERFORMANCE REVIEW

#### A. DEPOSITS:

During 2012 our focus was on expansion of our network and searching for market niches to expand business volumes. Deposits stand at Rs. 31.469 billion (including Rs. 1.41 billion in foreign currency) as compared to Rs. 23.517 billion as on December 31, 2011 thus registering an increase of 33.8%. This is not commensurate when compared to the 220% increase in branch network but considering the fact that quite a number of branches came into operation in the last quarter of the year which reflects a consistent growth throughout the year. Besides, the ratio of Govt. of Sindh deposits and other deposits which stood at 30:70 is also a positive indicator of general public/depositors' confidence in our Bank. Total number of accounts stood at 77,365 of which 79% are current account. Comparable figures of 2011 & 2012 are given in the following table:

	December-12		December-11		Increase/Decrease
	Amount	%	Amount	%	Amount
GoS	9,307,655	30	18,287,294	78	(8,979,639)
Excluding GoS	22,161,997	70	5,230,446	22	16,931,551
Total	31,469,652	100	23,517,740	100	7,951,912

**B. ADVANCES:**

Credit portfolio has also registered a commendable growth and amounted to Rs. 19,282 billion as on December 31, 2012 as compared to Rs. 7,259 billion as on December 31, 2011.

**C. INVESTMENTS:**

Investments in Government securities registered a growth of 151% and are placed at Rs. 60,112 billion as compared to Rs. 23,916 billion as on December 31, 2011. The Bank's investment in Capital Market increased from Rs. 1,313 million on December 31, 2011 to Rs. 1,534 million on December 31, 2012 registering an increase of 17%. Total income from these investments, representing capital gains and dividends, amounted to Rs. 328,206 million yielding an annualized return on investment of 21.75%.

**D. PROFIT:**

The Bank earned a profit before tax of Rs. 1,286 million registering an increase of 13% over the profit of Rs. 1,140 million in the last period of fourteen months. Although it appears a modest increase but considering that the Bank incurred a capital expenditure of Rs. 1,113 million, with corresponding depreciation expense in the current year and staff salaries for operating 110 new branches in the year 2012; most of which came into operation in the last quarter of the year; with no corresponding benefit to the revenue of the Bank; it is an excellent performance. The Branches set up during the year 2012 are likely to contribute positively in terms of deposits and profitability in the current year.



**FINANCIAL HIGHLIGHTS:**

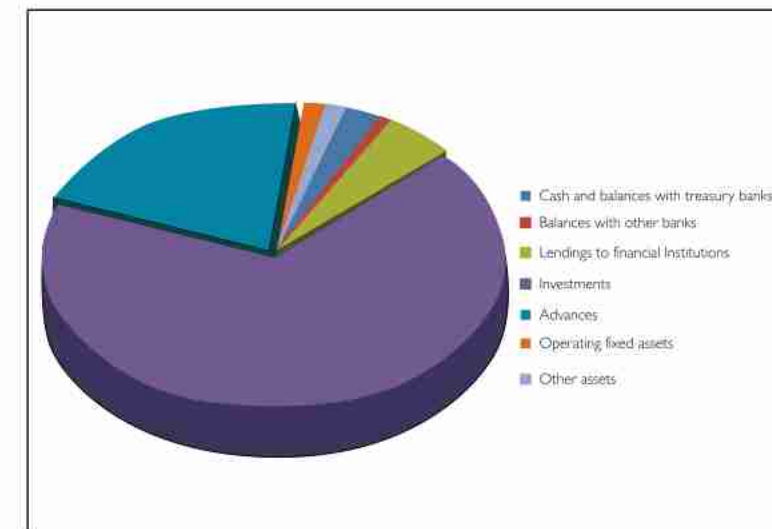
(Rupees in '000)

Balance Sheet	As on December 31, 2012	As on December 31, 2011
Paid up Capital	10,000,000	10,000,000
Equity	11,037,333	10,749,561
Deposits	31,469,652	23,517,740
Investments (net of repo)	15,002,942	13,268,888
Advances	19,281,888	7,259,330

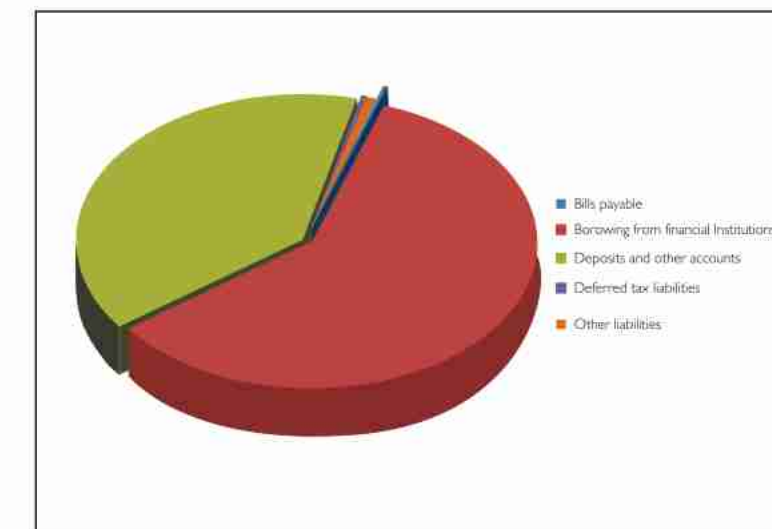
(Rupees in '000)

Profit & Loss Account	Year ended December 31, 2012	Period from October 29, 2010 to December 31, 2011
Net mark-up / profit / interest	2,038,415	1,462,935
Fee, commission income	526,717	222,183
Non Markup Expense	1,277,636	513,773
Operating Profit	1,287,496	1,171,345
Impairment on investments	1,069	31,382
Profit before Tax	1,286,427	1,139,963
Profit After Tax	887,772	749,561
Earnings per share	0.89	0.75

**ASSETS**



**LIABILITIES**



**DIVIDEND**

The Board of Directors of the Bank had approved an interim cash dividend of Rs.0.60 per share. Such dividend amounting to Rs. 600 million was paid to the sole owner of the Bank i.e. Government of Sindh on July 05, 2012.

## ECONOMIC REVIEW

Economic outlook remained strained as the economy is estimated to grow by 3.7% during FY 12 a little more than 3% registered in FY 11. The growth was broad based as it was evenly distributed across agriculture, industry and services sectors. Investments remained sluggish at 12.5% of GDP. Major reasons for this situation are uncertain internal developments, law and order conditions, tensions at boarders and energy crisis. Fiscal deficit remained significantly high at 8.5 % up from 6.6 % in FY 11. On a positive note inflation was restricted at 11.1 %.

## CHANGES IN BOARD OF DIRECTORS

During 2012 following changes took place in the members of Board of Directors.

### Nominee Directors of Gos

- Mr. Arif Ahmed Khan, Secretary Finance replaced Mr. Naveed Kamran Baloch, former Secretary Finance, Government of Sindh who proceeded for 97th National Management Course held at Administrative Staff College, Lahore.

### Independent Directors

- Mr. M. Naeem Sahgal replaced Mr. S. A. Wahab Mehdi.
- Mr. Afzal Ghani replaced Mr. Wazir Ali Khoja on February 25, 2013 .

The Board acknowledges services of outgoing Directors and welcomes the new members on board and is sure of having their guidance in all Bank's matters.

## CREDIT RATING

JCR-VIS, maintained its long term entity rating of 'AA-' (Double A Minus) with a stable outlook, and a short-term rating of 'A-1' (Single A-One). The assigned long term rating denotes high credit quality while the short term rating denotes high certainty of payments by good fundamental protection factors. This high rating augurs well for the Bank's business prospects and the Management would endeavor to further improve the rating in the times ahead by showing better results.

## MINIMUM CAPITAL REQUIREMENTS / CAPITAL ADEQUACY RATIO

The Bank is fully compliant of minimum capital requirements (MCR) and capital adequacy ratio (CAR) as prescribed by the State Bank of Pakistan, as of December 31, 2012.

## RISK MANAGEMENT FRAMEWORK

### ● Risk Management Division

Sindh Bank has set up an effective risk management system that is commensurate with its size and complexity of operations to help ensure that the risks undertaken are well managed within the boundaries of its risk appetite. The Bank has constituted an independent Risk Management Division (RMD) responsible for integrated risk management, which comprises of the Credit Risk Management Department, Market Risk (including the Asset and Liability) Management Department and Operational Risk Management Department. The RMD is headed by a Chief Risk Officer and he is assisted by key deputies in each of the respective Credit Risk Management Department, Market Risk and Operational Risk Management Department.

### ● Credit Risk Management Department ('CRMD')

The CRMD is a centralized function within the Bank and its responsibilities include identifying, monitoring, measuring and managing credit risks assumed by the Bank. The key functions of the CRMD are the credit portfolio management function, credit policies function, credit grading analytics function and credit scoring analytics function. The Credit Portfolio Management and Reporting function is responsible for ensuring a well-balanced portfolio, adherence to portfolio limits and reviewing the Bank's portfolio periodically. The Credit Policies function is responsible for formulating, documenting and periodically reviewing all credit related policies of the Bank. Within the Credit Risk Analytics Function, a sub-function of Credit Grading Analytics is responsible for managing risk measurement function in the Corporate/Business Banking segment of business. A Credit Scoring Analytics sub-function will be responsible for managing risk measurement function in the Retail Banking segment of business.

### ● Operational Risk Management Department ('ORMD')

The ORMD is a centralized function within the Bank and its responsibilities include identifying, monitoring, measuring and managing operational risks assumed by the Bank. The key functions of the ORMD are the operational risk policy and planning function, operational risk assessment function, operational risk measurement and analytics function and operational risk monitoring, mitigation and control function.

### ● Market Risk & Asset and Liability Management Department ('MRMD')

The MRMD is a centralized function within the Bank and its responsibilities include identifying, monitoring measuring and managing market risks and asset and liability management risks assumed by the Bank. The key functions of the MRMD are the risk policy & analytics function, asset and liability management function, treasury middle office function and economic analysis function.

## MAJOR HIGHLIGHTS OF THE YEAR:

### RESTRUCTURING OF AGRICULTURE DIVISION:

In order to have a more focused approach and meeting the needs of all our target customers we have restructured our Agricultural Credit Division. Business is bifurcated into two departments a) Agri. Corporate Finance Department and b) Agri. Rural Finance Department headed by experienced executives. Alongside our existing business, we are expanding our sphere of activity by providing agriculture credit to nonfarm sectors such as poultry, livestock, fisheries, rice husking etc. We feel that this market has a vast untapped business potential. We are coming up with new products and services in these areas and making arrangements to train our field force i.e. Agriculture Credit Officers (ACO) to make our products more marketable and profitable.

### GOVERNMENT SPONSORED SCHEMES

We are working in close collaboration with Government of Pakistan (GoP) and Government of Sindh (GoS) for the schemes sponsored by them. These include Benazir Income Support Program (BISP) by GoP, Waseela-e-Haq Sindh and Tractor Subsidies Scheme by GoS.

### ● Benazir Income Support Program

The GoP has assigned Sindh Bank to disburse quarterly amount to the BISP beneficiaries in District Tando Muhamamd Khan. As on December 31, 2012 The Bank disbursed Rs. 145.6 million to 27,273 beneficiaries who were identified by NADRA. In our effort to provide convenience we installed 4 ATMs in that area. This is an ongoing project and will facilitate the government as and when needed.

● **Waseela -e-Haq Program**

The Waseela-e- Haq Program of GoS has been launched to provide interest free loan of upto Rs. 300,000 in two equal tranches to small entrepreneurs or unemployed youth desirous of establishing a small business. For this purpose GoS has allocated Rs. 9.6 billion for the 32, 000 beneficiaries selected by it in the province of Sindh. By the end of 2012 we had opened 6354 accounts and have provided finances to 5,873 beneficiaries involving an amount of more than Rs. 881 million.

● **Tractor Subsidy Scheme**

Working in line with GoS's objective to bring prosperity for farmers and providing them tractors on subsidized prices, Sindh Bank is providing loan facility to successful farmers in the balloting. We received more than 30,000 applications and in the first phase balloting was conducted on February 04, 2013 for 3,000 successful applicants. For the balance 12,000 tractors under the subsidy scheme balloting in 2 phases would be conducted before March 2013.

**MAJOR FUNDING ACTIVITIES**

● **Corporate Banking**

Corporate lending remained our core business activity during the year 2012 with the portfolio increasing from Rs. 6,934 million in 2011 to Rs. 17,193 million in 2012. The main economic sectors which benefited from our lending activity were sugar, cement, steel & services.

● **Agriculture Credit**

To counter the current Global Food Security issues, Sindh Bank Limited has stepped up its Agricultural Credit to farming community through our financial products designed to suit the needs of customers engaged in Farm and Non-Farm activities. These tailor made products are aimed at providing solutions to the requirement of Agricultural community, be it in farm activity like purchase of seeds, fertilizers, pesticides, tractors, equipments, etc. or Non-Farm activities like Dairy Farming and Meat Farming. To cater to the needs of other sectors, the experienced team of Agricultural Division is working on Product development for Poultry farming and Fish farming along-with focus on small farmers through Group based lending methodology.

A comparative snapshot of approvals and disbursement to Agriculture sector is given below:

Item	Year 2011	Year 2012	Growth %
No. of Farmers	486	1,431	194%
Amount (Rs. In Million)	58.377	537.243	820%

**TECHNOLOGY BREAKTHROUGH**

All the Sindh Bank branches are online providing market based products and services to our customers. During 2012 we have achieved the following advancements:

- Our customers can pay their utility bills through SMS on 24 hour basis. KESC, SSGC, PTCL bills can also be paid through SMS. Utility bills are accepted at all our branches throughout the country.
- Sindh Bank and PTCL are connected on line and any bill paid in Sindh Bank is reported to PTCL on real time basis saving discomfort of disconnection of customers who are late in their bills payment.
- We are a member of Inter Bank Funds Transfer (IBFT) community where customers of 22 member banks can transfer funds through 1 Link ATMs. We are proud to be the bank which is providing this facility through SMS in addition to the ATM Network.
- As on December 31, 2012 we had installed 19 ATMs in the main business centers throughout the country. Plans are underway to install another 50 during the year 2013.

- The Disaster Recovery Site at DHA branch Lahore is operational and data is replicated to DR site within one minute of the transaction.
- Mobile Top up is a very popular product and we provide this facility for all the mobile service providing companies i.e. Mobilink, Ufone, Telenor and Warid.
- Real time SMS alerts provide a feeling of security and comfort to our customers.

**STAFFING**

In line with the increase in number of branches total headcount i.e. executives, officers and support staff as on December 31, 2012 has also increased to 1241 up from 592 on December 31, 2011. Efforts are being made to add experienced professionals and young graduates from reputable universities on board.

**TRAINING & DEVELOPMENT:**

The year 2012 was a successful one for training activities in all respects be it infrastructure development, number of workshop offerings, disciplines covered, number of staff that were trained, geographical coverage or fulfilling regulatory requirements. This reflects our commitment towards development of human capital by making huge investments in this vital area.

a. **Infra structure Development:**

The training facility developed at B - 2 in Federation House is fully equipped with the training aids i.e. multimedia projectors, laptops, white boards, etc. and 2 training rooms with a capacity to accommodate 25 participants each are fully operational.

b. **Training Disciplines:**

Training workshops were offered in the disciplines of Banking Operations, Compliance, IT (AB II), Audit & Risk Management, Finance & Credit, Agriculture Credit, International Trade and Soft Skills catering to the needs of staff at all cadres. A total of 60 workshops were offered during the year covering 1020 participants including 126 from outside Karachi. In order to provide training opportunities to the staff posted in branches in Interior Sindh and North regions training hubs were created in Hyderabad, Khairpur, Lahore and Islamabad. This will be an ongoing exercise in 2013 as well.

Besides to fulfill SBP requirements we have developed our own software to conduct on line testing of relevant staff on Anti Money Laundering and Combating Terrorist Financing (AML/CFT).

**CORPORATE SOCIAL RESPONSIBILITY**

In our effort to implement CSR in letter & spirit and providing a sound base for best practices, we at Sindh Bank Limited are committed to our philosophy 'Power to the People'. It is our considered opinion that a conducive internal environment must be created that will help all our employees to use their utmost capabilities and extend a helping hand to all those who are in need. Our endeavor in achieving our objectives could be in the following shape and form:

- Enhance present level of expertise through continuous trainings, mentoring and guiding besides providing health and recreation facilities for their families.
- Providing Markup free student loan to 1st class graduates for higher studies. The amount of educational expense will be paid directly to the institutions. Repayment can be done in Monthly installments within a period of 5 years from the date of joining Sindh Bank or in maximum 3 years if the borrower serves some other organization.
- Sponsorships, monetary donations and aid to organisations that are promoting social welfare projects and activities.
- To support Federal & Provincial Government agencies in times of national emergencies by facilitating the governments in cash or in kind to rehabilitate the affected people.

By exercising any or all of the above measures and other similar ones that may be required in the future, Sindh Bank hopes to emerge as a responsible social corporate citizen catering to the social needs of the citizenry.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

- The financial statements prepared by the management of the bank, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the bank have been maintained.
- Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements and any departures there- from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the Bank's ability to continue as an ongoing concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A brief introductory program on Corporate Governance was conducted for all the Directors during Board meeting held on January 18, 2012 where representatives of Pakistan Institute of Corporate Governance apprised the Board on the overall framework of Corporate Governance.

The President & CEO of the Bank having 14 years of education and 15 years of experience on the Board of various listed companies, is considered exempted from the directors training program.

- Since Bank has only two years of operations, all Key financial and operating data for both the years is available in the annual report.
- All the statutory liabilities, if any have been adequately disclosed in the financial statements.
- Value of investments of Sindh Bank Limited Employees Provident Fund as at December 31, 2012 was Rs. 43.351 million. First investment of Sindh Bank Limited Employees Gratuity Fund was made subsequent to the balance sheet date, based on the actuarial valuation of the fund.

## BOARD MEETINGS

During the year under review details of Board meetings attended by the Directors are as follows:

S. No.	Name of Directors	11th Meeting held on 18.01.2012	12th Meeting held on 18.03.2012	13th Meeting held on 07.04.2012	14th Meeting held on 12.05.2012	15th Meeting held on 07.06.2012	16th Meeting held on 04.07.2012	17th Meeting held on 04.08.2012	18th Meeting held on 15.10.2012	Total Meeting Attended
1	Mr. Raja Muhammad Abbas	√	√	√		√	√	√		6
2	Mr. Malik Asrar Hussain			√	√	√	√		√	5
3	Mr. Arif Ahmed Khan <sup>(2)</sup>								√	1
4	Mr. Naveed Kamran Baloch	√	√	√	√	√		√		6
5	Mr. Wazir Ali Khoja	√	√	√	√	√	√	√		7
6	Mr. M. Shahid Murtaza	√	√	√	√	√	√	√	√	8
7	Mr. M. Naeem Sahgal <sup>(1)</sup>				√	√	√	√	√	5
8	Mr. Muhammad Bilal Sheikh	√	√	√	√	√	√	√	√	8
	<b>Meeting Attendance</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>5</b>	

(1) Mr. M. Naeem Sahgal was elected on 07.04.2012.

(2) Mr. Arif Ahmed Khan was co-opted in place of Mr. Naveed Kamran Baloch on 15.10.2012.

## PATTERN OF SHAREHOLDING

The pattern of shareholding is attached with this report.

## EXTERNAL AUDITORS

The retiring auditors, being eligible, offer themselves for re-appointment for the year 2013. The Audit Committee of the Board has recommended M/s Anjum Asim Shahid Rahman, Chartered Accountants, the retiring auditors, as external auditors of the Bank for another term.

## FUTURE OUTLOOK

Our strategy for 2013 would be on consolidation of our businesses and strengthen our already operational set up while establishing prudent Banking practices to provide a sound base for future operations. We have planned to expand our network from present 160 branches to 200 branches by setting up additional 40 branches allowed by the State Bank of Pakistan in the current year. We are hopeful that financial results for 2013 will reflect our strategic initiatives.

## ACKNOWLEDGEMENTS:

The Board of Directors is thankful to State Bank for guidance and Government of Sindh for providing us opportunities to serve the masses and extend our support for all government schemes. We are thankful to all the members of Board of Directors for sparing their time and taking interest in Bank's affairs.

Special thanks are due to our customers who have reposed confidence in our Bank and helped us achieve these excellent results in such a short time. We extend our thanks to our executives and staff at all levels for their consistent efforts and zeal to serve their Bank. We are sure that they will continue to serve with the same commitment and work as a team. We assure fast pace career growth to all our outstanding performers.

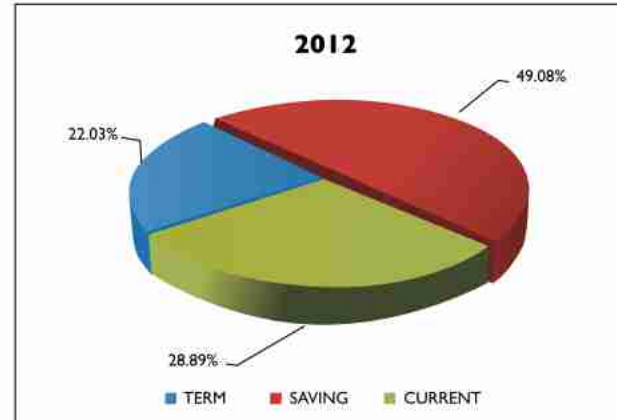
On behalf of the Board of Directors.



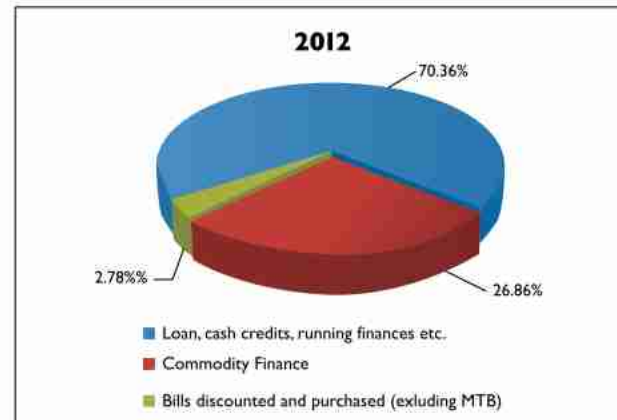
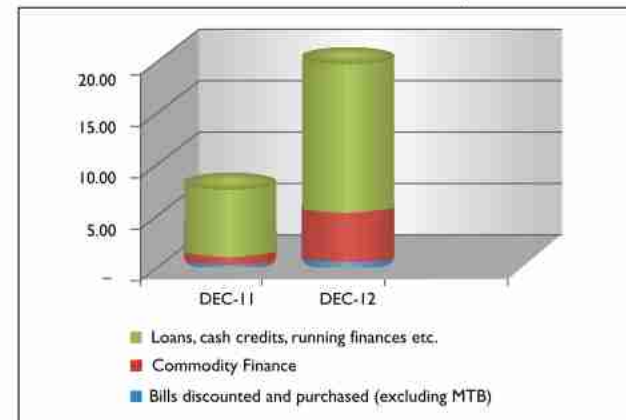
**Muhammad Bilal Sheikh**  
President & CEO  
Karachi - February 25, 2013

# FINANCIAL HIGHLIGHTS

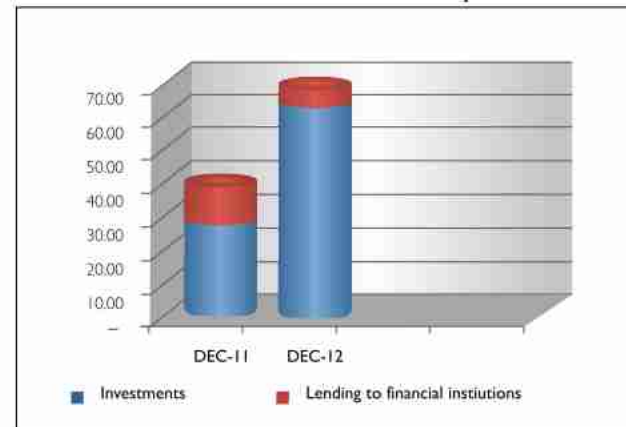
## DEPOSITS Rupees in billion



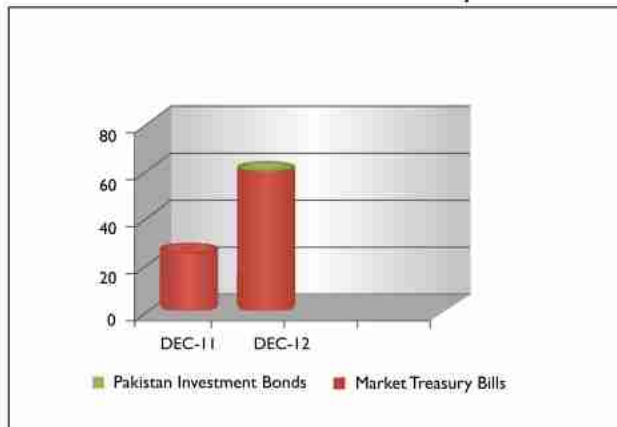
## ADVANCES Rupees in billion



## INVESTMENTS Rupees in billion

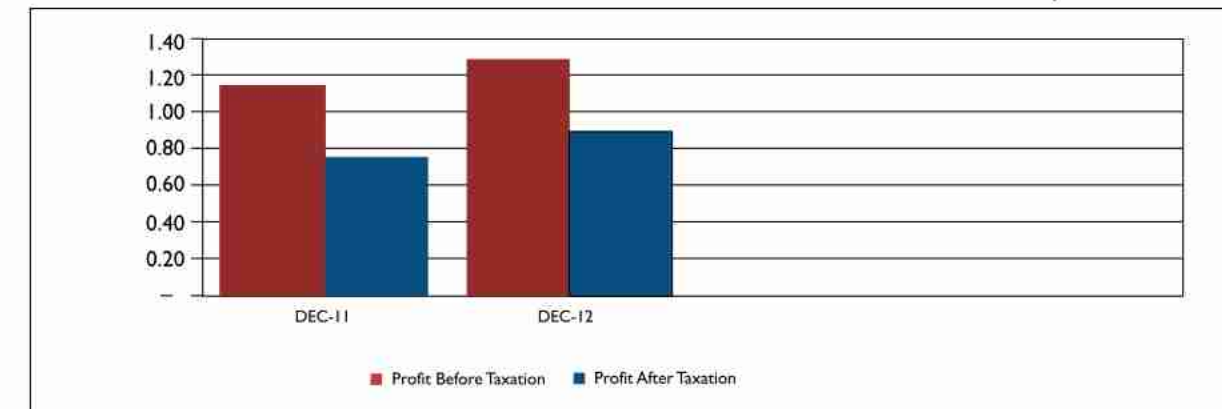


## GOVT. SECURITIES Rupees in billion

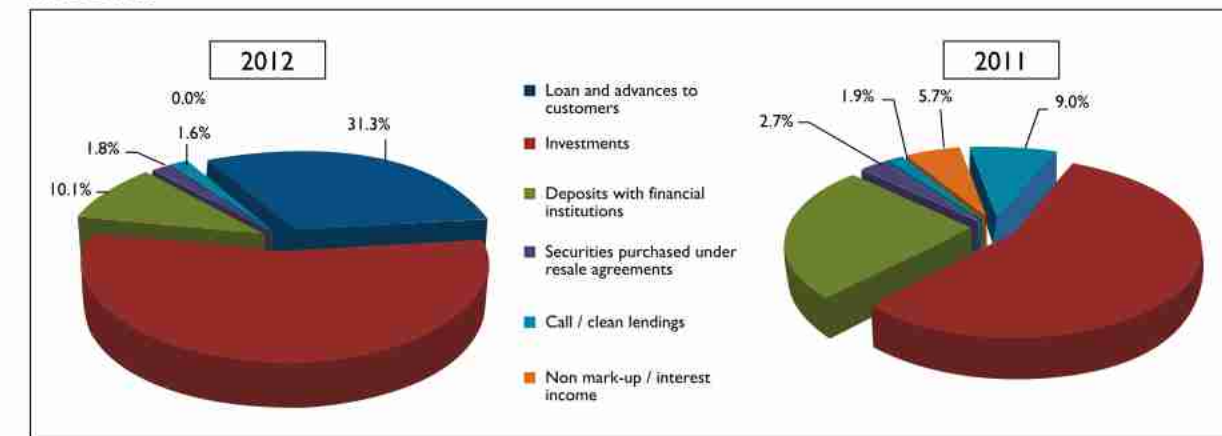


## PROFIT

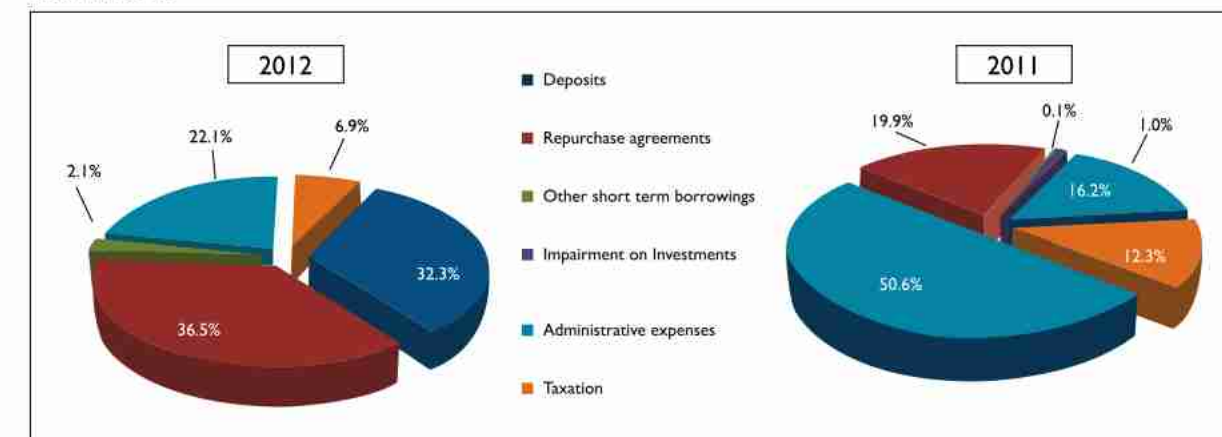
Rupees in billion



## INCOME



## EXPENSES



## ATM and e-Banking Services

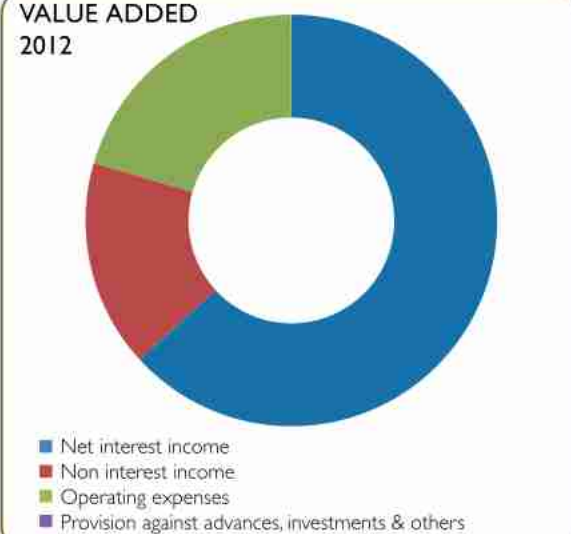
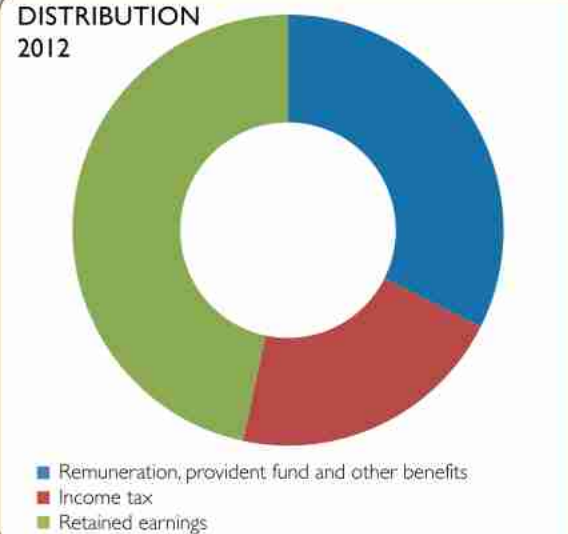
The Bank is providing modern IT solutions for convenience of its customers which includes ATM facilities, SMS/email alerts on the customer's banking operations, payments of utility bills, etc.





## Value Added Statement

	For the year ended December 31, 2012 (Rupees in '000)		For the period October 29, 2010 to December 31, 2011 (Rupees in '000)	
		%		%
<b>Value Added</b>				
Net interest income	2,038,415		1,462,935	
Non interest income	526,717		222,183	
Operating expenses excluding staff costs and donations	(661,004)		(228,034)	
Provision against advances, investments & others	(1,069)		(31,382)	
<b>Value added available for distribution</b>	<b>1,903,059</b>		<b>1,425,702</b>	
<b>Distribution of value added</b>				
<b>To employees</b>				
Remuneration, provident fund and other benefits	616,632	32.40%	255,061	17.89%
<b>To government</b>				
Income tax	398,655	20.95%	390,402	27.38%
<b>To Society</b>				
Donations	-	-	30,678	2.15%
<b>To Shareholders</b>				
Interim Dividend paid in 2012	-	-	600,000	42.08%
Retained earnings / Reserves	887,772	46.65%	149,561	10.49%
	<b>1,903,059</b>	<b>100%</b>	<b>1,425,702</b>	<b>100%</b>

VALUE ADDED  
2012DISTRIBUTION  
2012

## Vertical Analysis

## STATEMENT OF FINANCIAL POSITION

	December 31, 2012 (Rupees in '000)		December 31, 2011 (Rupees in '000)	
		%		%
<b>ASSETS</b>				
Cash and balances with treasury banks	2,430,525	3%	1,655,815	3%
Balances with other banks	424,573	0%	243,519	1%
Lendings to financial institutions	4,619,591	5%	10,905,410	23%
Investments	62,631,024	68%	26,081,535	55%
Advances	19,281,888	21%	7,259,330	15%
Operating fixed assets	1,556,804	2%	584,054	1%
Other assets	1,346,694	1%	1,000,460	2%
	<b>92,291,099</b>	<b>100%</b>	<b>47,730,123</b>	<b>100%</b>
<b>LIABILITIES</b>				
Bills payable	176,125	0%	42,251	0%
Borrowings from financial institutions	48,602,402	53%	13,012,647	27%
Deposits and other accounts	31,469,652	34%	23,517,740	49%
Deferred tax liability	207,256	0%	10,322	0%
Other liabilities	747,476	1%	484,150	1%
	<b>81,202,911</b>	<b>88%</b>	<b>37,067,110</b>	<b>78%</b>
<b>NET ASSETS</b>	<b>11,088,188</b>	<b>12%</b>	<b>10,663,013</b>	<b>22%</b>
<b>REPRESENTED BY</b>				
Share capital	10,000,000	11%	10,000,000	21%
Reserves	327,466	0%	149,912	0%
Unappropriated profit	709,867	1%	599,649	1%
Surplus / (Deficit) on revaluation of investments - net of related deferred tax	50,855	0%	(86,548)	0%
	<b>11,088,188</b>	<b>12%</b>	<b>10,663,013</b>	<b>22%</b>

## PROFIT &amp; LOSS ACCOUNT

	For the year ended December 31, 2012 (Rupees in '000)		For the period October 29, 2010 to December 31, 2011 (Rupees in '000)	
		%		%
Mark-up / return / interest earned	6,141,198	92%	3,704,280	94%
Fee, commission and brokerage	98,820	1%	10,629	0%
Income from dealing in foreign currencies	44,353	1%	2,286	0%
Capital gain and dividend income	382,167	6%	208,933	5%
Other income	1,377	0%	335	0%
<b>Total income</b>	<b>6,667,915</b>	<b>100%</b>	<b>3,926,463</b>	<b>100%</b>
Mark-up / return / interest expensed	4,102,783	62%	2,241,345	57%
Operating & admin expenses	1,277,636	19%	513,773	13%
Impairment	1,069	0%	31,382	1%
Taxation	398,655	6%	390,402	10%
<b>Total Expenses</b>	<b>5,780,143</b>	<b>87%</b>	<b>3,176,902</b>	<b>81%</b>
<b>Profit after taxation</b>	<b>887,772</b>	<b>13%</b>	<b>749,561</b>	<b>19%</b>

## Key Performance Indicators

(Rupees in '000)

	For the year ended Dec 31, 2012	For the period ended Dec 31, 2011	Variance	
			Amount	%
<b>Financial</b>				
Investments-Gross	62,555,693	26,246,068	36,309,625	138%
Advances-Gross	19,281,888	7,259,330	12,022,558	166%
Deposits	31,469,652	23,517,740	7,951,912	34%
Shareholders' Equity	11,088,188	10,663,013	425,175	4%
Total Assets	92,291,099	47,730,123	44,560,976	93%
Net Interest Income	2,038,415	1,462,935	575,480	39%
Non Interest Income	526,717	222,183	304,534	137%
Operating Expenses	1,277,636	513,773	763,863	149%
Profit Before Impairment	1,287,496	1,171,345	116,151	10%
Impairment on Investments	1,069	31,382	(30,313)	-97%
Profit Before Taxation	1,286,427	1,139,963	146,464	13%
Profit After Taxation	887,772	749,561	138,211	18%
Dividend Paid	600,000	-		
<b>Non Financial</b>				
No. of Customers (as of)	66,480	8,120	58,360	719%
No. of New Branches Opened	110	50	60	120%
No. of New Accounts Opened	74,949	9,971	64,978	652%
No. of ATM Cards Issued	1,898	1,024	874	85%
No. of Permanent Employees (as of)	924	462	462	100%
No. of ATM Machine (as of)	19	3	16	533%
No. of Mobile Banking Customers	8,348	4,144	4,204	101%
<b>Key Financial Ratios</b>				
Earnings Per Share - Pre tax (Rupees)	1.29	1.14		
Book Value Per Share (Rupees)	11.09	10.66		
Return on Equity - Pre tax	11.81%	9.09%		
Return on Earning Assets - Pre tax	1.97%	2.21%		
Capital Adequacy Ratio	38.51%	56.28%		

## Statement of compliance with the best practices of code of corporate governance

The Board of Directors extends full support and commitment to implement the requirements of the Code of Corporate Governance (the Code), as contained in Prudential Regulations G-1 for Corporate / Commercial banking issued by the State Bank of Pakistan (SBP). The Code is being complied with for the purpose of establishing a framework of good governance whereby the Bank is managed in compliance with the best practices of corporate governance.

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

- The Board comprises of seven Directors, which is represented by three independent and three non-executive directors being nominees of the Government of Sindh, with the President & Chief Executive Officer being the only one exception as an executive member. None of the directors is serving as a director in more than seven listed companies including the Bank.
- The first directors of the Bank appointed on incorporation of the Bank, stood retired on the date of first Annual General Meeting (AGM) of the Bank. Election was held to elect the new directors for a term of three years on the date of first AGM i.e. 7th April, 2012. Further, casual vacancies occurred during the year in the Board due to transfer of Mr. Naveed Kamran Baloch from the position of Secretary Finance, Government of Sindh and resignation of Mr. Wazir Ali Khoja (independent director). Since Mr. Naveed Kamran Baloch was ex-officio director, the casual vacancy was filled in by the Board through co-option of incoming Secretary Finance, Government of Sindh and an independent director Mr. Afzal Ghani.
- All the Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to any bank / DFI / NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 'Statement of Ethics and Business Practices' has been approved by the Directors of the Bank.
- The Board has formulated a 'Vision' and 'Mission' Statement and all corporate strategies and significant policies have been made with appropriate delegation of authorities and responsibilities to various levels of management. Record of particulars of significant policies and the approvals/amendments thereto has been maintained.
- Powers of the Board are duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
- The Board has approved appointment of Chief Financial Officer, Head of Internal Audit and Company Secretary, including their remuneration and terms and conditions of employment.
- Board meetings were held at least once in a quarter presided over by the Chairman, and in his absence by the senior most member of the Board. Eight meetings of Board of Directors were held during the year. Written notices of the Board and Audit Committee meetings along with agenda were circulated seven days before the meetings, except in case of emergent meetings which were conducted on a short notice period with the consent of the Board. The minutes of the meetings were appropriately recorded and circulated. Details of number of meetings held of other committees of Board of Directors are as under:

Name of Committee	Number of meetings
● Executive	-
● Risk Management	2
● Human Resource	1
● Information Technology	-
● Audit Committee	4

- The Directors, Chief Executive and Executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

- All related party transactions entered during the year were at arm's length basis and were placed before the Audit Committee and the Board of Directors. These transactions were duly reviewed and approved by the Audit Committee and Board of Directors.
- A brief introductory program on Corporate Governance was conducted for all the Directors during Board meeting held on January 18, 2012 where representatives of Pakistan Institute of Corporate Governance apprised the Board on the overall framework of Corporate Governance. However, the Bank is underway to make arrangements for the training of new directors, appointed during the year.  
  
The President & CEO of the Bank having 14 years of education and 15 years of experience on the Board of various listed companies, is considered exempted from the directors training program.
- The Directors' Report for the year ended December 31, 2012 has been prepared in compliance with the requirements of the Code and the corporate and financial reporting requirements have been complied with.
- The financial statements of the Bank for the year ended December 31, 2012 were duly endorsed by Chief Executive and Chief Financial Officer before presenting to Audit Committee and then to the Board for approval. Further, half-yearly financial statements were subjected to limited review by the statutory auditors. Furthermore, the quarterly un-audited financial statements of the Bank were circulated along with the Directors' review.
- The Board has formed an Audit Committee comprising of three non-executive Directors, out of which two are independent Directors, one of whom is the Chairman of the Committee. Terms of reference of the Audit Committee have been determined by the Board. The meetings of the Audit Committee were held at least once every quarter prior to approval of the quarterly, half-yearly and final accounts of the Bank, as required by the Code.
- The Board has set up an internal audit function. The staff of Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the internal audit function on a full time basis.
- The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan.
- The system of sound internal control is in place and effectively monitored in the Bank.
- The statutory auditors of the Bank have confirmed that they or any partner in the firm, their spouses and minor children do not at any time hold, purchase, sell or take any position in shares of the Bank.
- The statutory auditors of the Bank or persons associated with them have not been appointed to provide other service except in accordance with the listing regulations and the auditors have confirmed that they have observed the IFAC guidelines in this regard.
- We confirm that all material principles contained in the Code have been complied with.

This statement of compliance with best practices of Code of Corporate Governance is being presented and circulated with the annual report of the bank.



Muhammad Bilal Sheikh  
President & CEO

Karachi-February 25, 2013.

 **Grant Thornton**  
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**Review Report to the Members on the Directors' Statement of Compliance with the Best Practices of the Code of Corporate Governance**

We have examined the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Sindh Bank Limited** (the Bank) to comply with the regulation 6.1 of the Prudential Regulations for the Corporate / Commercial Banking issued by the State Bank of Pakistan.

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

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

Further, clause 6.1 of code requires the bank to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions entered into on terms equivalent to those that prevailed in arm's length transactions and transactions which are not entered on arm's length priced receiving proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are duly required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not issued any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

  
 Chartered Accountant

Date: February 25, 2013  
Karachi

Chartered Accountant  
Member of Audit, Tax and Investment  
Division Islamabad, 10000



## Statement of Internal Controls

This statement is presented to comply with the requirement of State Bank of Pakistan circular # BSD 7 dated May 27, 2004 on "Guidelines on Internal Controls".

The Board of Directors of the Bank is responsible for establishing and maintaining an adequate and effective system of internal controls which has the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations.

The control activities are being closely monitored across the Bank through Compliance and Internal Audit divisions covering key internal controls in all banking activities. In order to discharge the above responsibility, the Board of Directors have formed an Audit Committee with direct oversight responsibility to ensure the independence of the internal and external audit function. The Audit Committee meetings are held once in every quarter to discuss the scope and results of the work performed by the Internal Audit department.

The Audit Committee also meets with external auditors prior to approval of half-yearly and final results of the Bank. Based on observation and weaknesses found and identified by the internal and external auditors, appropriate improvements in internal controls are made wherever possible, by the management with the approval of the Board of Directors.

Due to inherent limitations, any system of internal controls is exposed to the risk of human error, system failure and circumvention and overriding of controls. Therefore, evaluation and monitoring of existing internal controls is an ongoing process.

Being a newly established bank with emphasis on establishment of branches and mobilization of deposits, the management of the bank has endeavored to follow the guidelines issued by the State Bank of Pakistan on Internal Controls and to incorporate these guidelines in the Bank's existing internal controls system for evaluation and management of significant risks. During the year under review, Bank has completed the process of inviting proposals from the consulting firms, for the implementation of SBP's guidelines on Internal Control over Financial Reporting in accordance with the requirements of The Sindh Public Procurement Act 2009 and The Sindh Public Procurement Rules 2010 issued thereunder ("SPPRA"). Going forward, the Bank is expected to start the benchmarking of its internal controls against integrated risk management systems and international best practices in the year 2013.

The Board and the management of the Bank are committed to further improve the internal control systems during 2013.

Based on the above, the Board of Directors endorses the management's evaluation of Internal Controls.

On behalf of the Board.

Muhammad Bilal Sheikh  
President & CEO

Karachi-February 25, 2013

## SME Credit

Sindh Bank's exclusive SME credit product is aimed to cater to the credit needs of small and medium enterprises at lower rate of markup for growing business units with quick processing of their applications.





**AQIUM AZAM SHAHID RAHMAN**  
1st & 2nd Floor  
Modern House House  
Summer Road,  
Karachi (Sindh)

T: +92 300 3547 2911 #1  
F: +92 300 3548 0032  
www.gt.com

**Independent Auditors' Report to the Members**

We have audited the annexed statement of financial position of **Sindh Bank Limited** ("the Bank") as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches, except for 13 branches which have been audited by us and we state that we have obtained all the information and explanations which, in the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing 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 60% of the total loans and advances of the bank, we report that:

Chartered Accountants  
Member of Grant Thornton membership firm  
CPA No: 11888/2009



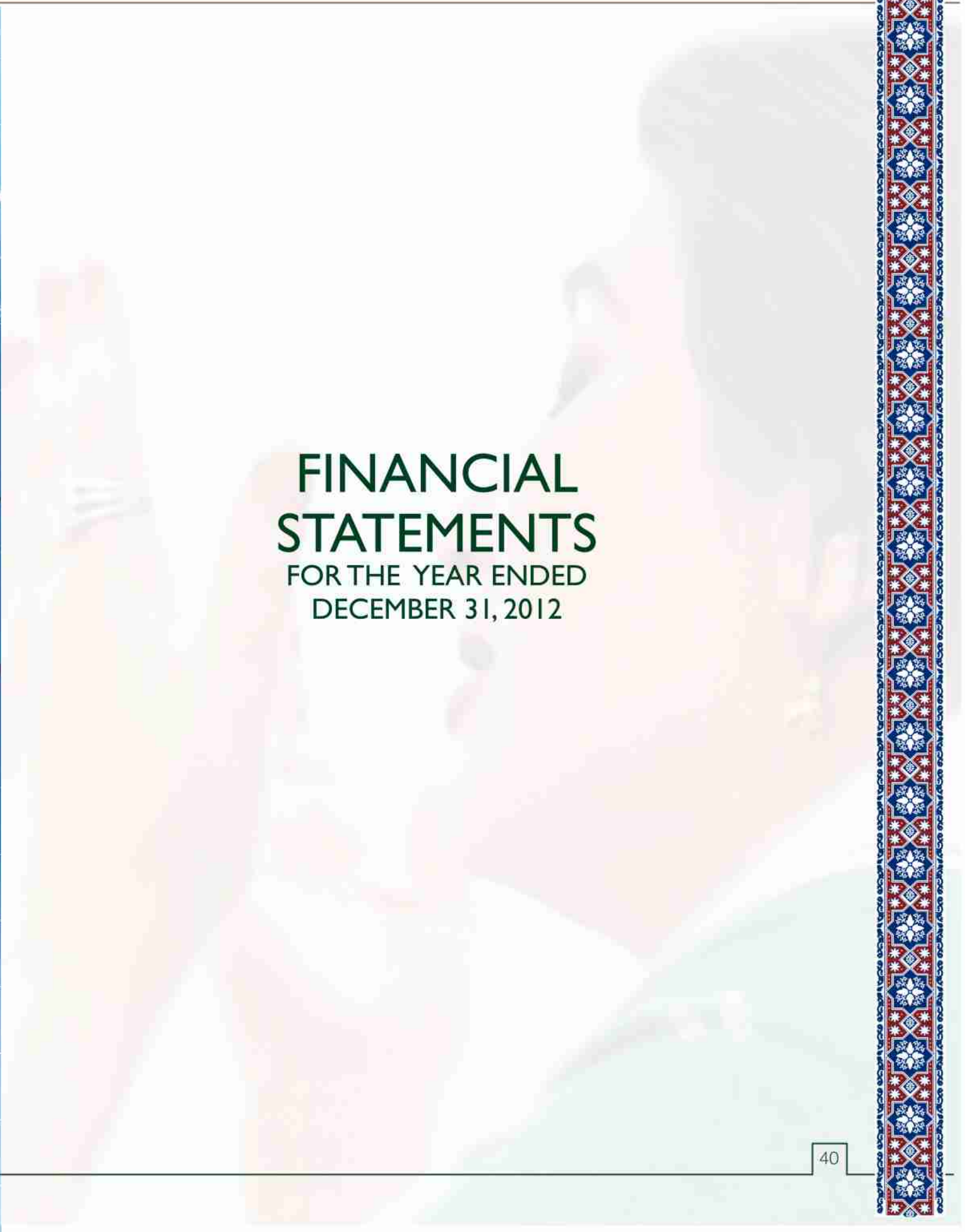
- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
  - (i) the statement of financial position and the related profit and loss account together with the notes thereto have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LXVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditures 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 approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LXVII 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 the December 31, 2012, and its true balance of profit, its comprehensive income, its cash flows and its 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 the Ordinance.

The financial statements of the Bank for the year ended December 31, 2011 were audited by KPMG (Asia) LLC & Co., Chartered Accountants who through their report dated March 18, 2012 expressed an unqualified opinion thereon.

*Aqum Azam Shahid Rahman*  
**Aqum Azam Shahid Rahman**  
Chartered Accountant

Date: February 25, 2013  
Karachi.

Engagement Partner:  
Muhammad Shaukat Nadeem






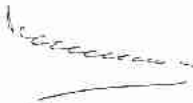
# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2012

**Sindh Bank Limited**  
**Statement of Financial Position**  
As at December 31, 2012

	Note	2012 (Rupees in '000)	2011
<b>ASSETS</b>			
Cash and balances with treasury banks	6	2,430,525	1,655,815
Balances with other banks	7	424,573	243,519
Lendings to financial institutions	8	4,619,591	10,905,410
Investments - net	9	62,631,024	26,081,535
Advances	10	19,281,888	7,259,330
Operating fixed assets	11	1,556,804	584,054
Deferred tax asset		-	-
Other assets	12	1,346,694	1,000,460
		<b>92,291,099</b>	<b>47,730,123</b>
<b>LIABILITIES</b>			
Bills payable	13	176,125	42,251
Borrowings	14	48,602,402	13,012,647
Deposits and other accounts	15	31,469,652	23,517,740
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	16	207,256	10,322
Other liabilities	17	747,476	484,150
		<b>81,202,911</b>	<b>37,067,110</b>
<b>NET ASSETS</b>		<b>11,088,188</b>	<b>10,663,013</b>
<b>REPRESENTED BY</b>			
Share capital	18	10,000,000	10,000,000
Reserves		327,466	149,912
Unappropriated profit		709,867	599,649
		<b>11,037,333</b>	<b>10,749,561</b>
Surplus / (deficit) on revaluation of assets - net of deferred tax	19	50,855	(86,548)
		<b>11,088,188</b>	<b>10,663,013</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20		




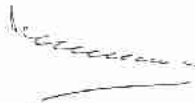
The annexed notes 1 to 40 form an integral part of these financial statements.

 President & Chief Executive Officer
  Chairman of the Board
  Director
  Director

**Sindh Bank Limited**  
**Profit and Loss Account**  
For the year ended December 31, 2012

	Note	2012 (Rupees in '000)	2011 (from October 29, 2010 to December 31, 2011) (Rupees in '000)
Mark-up / return / profit / interest earned	21	6,141,198	3,704,280
Mark-up / return / profit / interest expensed	22	4,102,783	2,241,345
Net mark-up / profit / interest income		<b>2,038,415</b>	<b>1,462,935</b>
Provision against non-performing loans and advances		-	-
Provision for diminution in the value of investments	9.3	1,069	31,382
Bad debts written off directly		-	-
		<b>1,069</b>	<b>31,382</b>
Net mark-up / profit / interest income after provisions		<b>2,037,346</b>	<b>1,431,553</b>
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		98,820	10,629
Dividend income		124,667	68,645
Income from dealing in foreign currencies		44,353	2,286
Gain on sale of securities - net	23	257,500	140,288
Unrealised gain on revaluation of investments classified as held-for-trading		-	-
Other income	24	1,377	335
Total non mark-up / interest income		<b>526,717</b>	<b>222,183</b>
		<b>2,564,063</b>	<b>1,653,736</b>
<b>Non mark-up / interest expense</b>			
Administrative expenses	25	1,277,607	513,773
Other provisions / write offs		-	-
Other charges	26	29	-
Total non mark-up / interest expenses		<b>1,277,636</b>	<b>513,773</b>
		<b>1,286,427</b>	<b>1,139,963</b>
Extraordinary / unusual items		-	-
<b>Profit before taxation</b>		<b>1,286,427</b>	<b>1,139,963</b>
Taxation - Current		275,709	333,477
- Prior year		-	-
- Deferred		122,946	56,925
	27	<b>398,655</b>	<b>390,402</b>
<b>Profit after taxation</b>		<b>887,772</b>	<b>749,561</b>
		<b>(Rupees)</b>	
Basic and diluted earnings per share	28	<b>0.89</b>	<b>0.75</b>

The annexed notes 1 to 40 form an integral part of these financial statements.




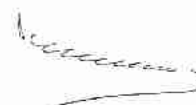
 President & Chief Executive Officer
  Chairman of the Board
  Director
  Director



**Sindh Bank Limited**  
**Statement of Comprehensive Income**  
For the year ended December 31, 2012

	2012	2011
Note	(from October 29, 2010 to December 31, 2011)	
	(Rupees in '000)	
Profit after taxation	887,772	749,561
Other comprehensive income	-	-
<b>Total comprehensive income transferred to equity</b>	<b>887,772</b>	<b>749,561</b>
<b>Components of comprehensive income not reflected in equity</b>		
Surplus / (Deficit) on revaluation of investments	211,390	(133,151)
Deferred tax on revaluation of investments	(73,988)	46,603
	<b>137,402</b>	<b>(86,548)</b>




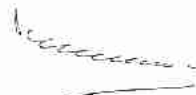
The annexed notes 1 to 40 form an integral part of these financial statements.

 President & Chief Executive Officer
  Chairman of the Board
  Director
  Director

**Sindh Bank Limited**  
**Cash Flow Statement**  
For the year ended December 31, 2012

	2012	2011
Note	(from October 29, 2010 to December 31, 2011)	
	(Rupees in '000)	
<b>Cash flow from operating activities</b>		
Profit before taxation	1,286,427	1,139,963
Less: Dividend income	(124,667)	(68,645)
	<b>1,161,760</b>	<b>1,071,318</b>
<b>Adjustments :</b>		
Depreciation	11.2 116,707	39,636
Amortization	11.3 12,115	5,143
Provision against non-performing advances	-	-
Provision for diminution in the value of investments	9.3 1,069	31,382
Other Provisions / write offs - (reversal) for diminution in the value of investments	-	-
Loss on disposal of fixed assets	1,108	-
	<b>130,999</b>	<b>76,161</b>
	<b>1,292,759</b>	<b>1,147,479</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	6,285,819	(10,905,410)
Advances	(12,022,558)	(7,259,330)
Other assets (excluding advance tax)	(331,321)	(1,000,351)
	<b>(6,068,060)</b>	<b>(19,165,091)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	133,874	42,251
Borrowings	35,589,755	13,012,647
Deposits and other accounts	7,951,912	23,517,740
Other liabilities	292,342	403,768
	<b>43,967,883</b>	<b>36,976,406</b>
	<b>39,192,582</b>	<b>18,958,794</b>
Income tax paid	(319,745)	(304,463)
<b>Net cash flows from operating activities</b>	<b>38,872,837</b>	<b>18,654,331</b>
<b>Cash flow from investing activities</b>		
Net investment in available-for-sale securities - net	(36,379,272)	(25,421,158)
Net investment in held-to-maturity securities	40,103	(824,910)
Dividend income received	124,776	68,536
Purchase of operating fixed assets	(1,113,234)	(577,465)
Sale proceeds from disposal of operating fixed assets	10,554	-
<b>Net cash flows from investing activities</b>	<b>(37,317,073)</b>	<b>(26,754,997)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of shares	-	10,000,000
Dividend Paid	(600,000)	-
	<b>(600,000)</b>	<b>10,000,000</b>
<b>Increase in cash and cash equivalents during the year / period</b>	<b>955,764</b>	<b>1,899,334</b>
Cash and cash equivalents at beginning of the year / period	1,899,334	-
<b>Cash and cash equivalents at end of the year / period</b>	<b>2,855,098</b>	<b>1,899,334</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

 President & Chief Executive Officer
  Chairman of the Board
  Director
  Director

Sindh Bank Limited  
Statement of Changes in Equity  
For the year ended December 31, 2012

	Issued, subscribed and paid-up share capital	Reserves		Total
		Statutory*	Revenue Unappropriated profit	
----- (Rupees in '000) -----				
<b>Total comprehensive income for the year</b>				
Profit for the period	-	-	749,561	749,561
Transferred to statutory reserve	-	149,912	(149,912)	-
<b>Transaction with owners recognised directly in equity</b>				
Issue of Ordinary Share Capital				
- initial capital on incorporation	10,000	-	-	10,000
- right shares	9,990,000	-	-	9,990,000
<b>Balance as at December 31, 2011</b>	<b>10,000,000</b>	<b>149,912</b>	<b>599,649</b>	<b>10,749,561</b>
Interim cash dividend at Rs. 0.60 per share paid for the year 2012	-	-	(600,000)	(600,000)
Profit for the year ended December 31, 2012	-	-	887,772	887,772
Transferred to statutory reserve	-	177,554	(177,554)	-
<b>Balance as at December 31, 2012</b>	<b>10,000,000</b>	<b>327,466</b>	<b>709,867</b>	<b>11,037,333</b>

\* Under section 21 of the Banking Companies Ordinance, 1962, an amount not less than 20% of the profit is to be transferred to create a reserve fund together with the amount in share premium account till such time the reserve fund equals the amount of the paid-up capital.

The annexed notes 1 to 40 form an integral part of these financial statements.

President &amp; Chief Executive Officer

Chairman of the Board

Director

Director

Sindh Bank Limited  
Notes to the Financial Statements  
For the year ended December 31, 2012

## 1. STATUS AND NATURE OF BUSINESS

1.1 Sindh Bank Limited (the Bank) is incorporated in Pakistan on October 29, 2010 as a public unlisted company and is engaged in Commercial Banking, Corporate and Investment related activities. The Bank is currently operating through one hundred and sixty branches including ten sub branches (2011: fifty branches and no sub branch) in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi.

1.2 The Bank is 100% owned by the Government of Sindh, through its Finance Department.

1.3 JCR –VIS Credit Rating Company Limited has assigned medium to long term entity rating of 'AA-' (Double A Minus) with a "Stable outlook", and short term rating of 'A-1' (A-One) to the Bank.

## 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 purchase of goods by Banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

## 3. STATEMENT OF COMPLIANCE

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

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 DFIs through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of Securities and Exchange Commission of Pakistan (SECP) through S.R.O 411(1)/2008 dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for financial institutions. 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 of various circulars issued by SBP.

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 the SBP.

SBP vide its BSD Circular No.07 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 (AFS) securities only, may be

included in the 'Statement of Comprehensive Income'. However, it should 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.

### 3.1 Standard, amendment or interpretation to published approved accounting standards

#### New / Revised standards, amendments and interpretations to existing standards effective from current period but not relevant to the Bank:

The following standards, amendments to approved accounting standard is effective for accounting periods beginning on or after January 1, 2012.

- Amendments to IAS 12 – deferred tax on investment property. The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Bank.

The application of improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in these financial statements.

Standards, amendments and interpretations to published approved accounting standards that are not yet effective and have not been adopted early by the Bank:

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Bank.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Bank.
- IAS 27 Separate financial statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated financial statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Bank.
- IAS 28 Investments in Associates (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Bank.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on financial statements of the Bank.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting agreement or similar arrangement. The amendments have no impact on financial statements of the Bank.
- Disclosures - Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognized in their entirety but for which the entity retains continuing involvement. The amendments are not likely to have an impact on financial statements of the Bank.
- IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. The standard is not being adopted early by the Bank and will therefore not affect the financial statements of the Bank.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation is not relevant to the financial statements of the Bank.

#### Consolidation standards

A package of new consolidation standards is effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. However these shall not have any impact on the Bank's financial statements.

- IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation – Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Bank's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Bank's existing investees at 31 December 2012.
- IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. The Bank do not have any joint arrangements as at December 31, 2012.
- IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

**4. BASIS OF MEASUREMENT****4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except that certain investments and commitments in respect of foreign exchange contracts are measured at fair values.

**4.2** Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.**4.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the financial statements are as follows:

- i) classification and impairment against investments (notes 5.4 and 9).
- ii) classification and provision against advances (notes 5.5 and 10).
- iii) income taxes (note 5.8)
- iv) depreciation and amortization / useful lives of operating fixed assets (notes 5.6 and 11)
- v) staff retirement benefits (note 5.9)
- vi) fair value of derivatives (note 5.17)

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****5.1** The accounting policies adopted by the Bank and applied in the preparation of these financial statements are set out below:**5.2 Cash and cash equivalents**

For the preparation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposits with original term of greater than three months.

**5.3 Lendings to / borrowings from financial institutions (Repo / Reverse repo)**

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

**(a) Sale of securities under repurchase agreement**

Securities sold subject to repurchase agreements (repo) remain on the balance sheet as investments and the counter party liability is included in borrowings from financial institutions. The difference between the sale and repurchase price is treated as interest / mark-up / return expense and accrued over the period using the effective interest rate method.

**(b) Purchase of securities under resale agreement**

Securities purchased under agreements to resell (reverse repo) are recorded as lendings to financial institutions. These transactions are accounted for on the settlement date. The difference between the purchase and resale price is recognized as mark-up income over the period of the agreement using the effective interest rate method.

**5.4 Investments**

The Bank classifies its investments as follows:

**(a) Held-for-trading**

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

**(b) Held-to-maturity**

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

**(c) Available-for-sale**

These are investments, other than those in subsidiaries and associates, that do not fall under the held-for-trading or held-to-maturity categories.

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

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

Quoted securities, other than those classified as held-to-maturity are subsequently stated at fair value.

Investments classified as held-to-maturity are carried at amortized cost. Unquoted equity securities are valued at 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. Investments in other unquoted securities are valued at cost less impairment losses, if any.

The equity position risk in the banking book has been explained in note 38.3.2 to the financial statements.

Unrealized surplus / deficit arising on revaluation of quoted securities classified as 'available-for-sale' is disclosed below the shareholders' equity in the statement of financial position. Unrealized gain / loss arising on revaluation of quoted securities which are classified as 'held-for-trading' is taken to the profit and loss account.

Cost of investment is determined on moving average basis.

Impairment loss in respect of investments classified as available-for-sale and held-to-maturity is recognized on the basis of 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 market value of an equity security is considered as an objective evidence of impairment, significant means 20% decline in market value as compared to carrying value and prolonged means twelve months decline in fair value of an equity investment below its cost. Provision for diminution in the value of term finance certificates is made as per the requirements of Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available-for-sale securities, the cumulative loss that has been recognized directly in surplus on revaluation of securities on the Statement of Financial Position below equity is removed there from and recognized in the profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognized in the profit and loss account.

Gain or loss on sale of investments is included in the profit and loss account in the year in which they arise.

**5.5 Advances**

Advances are stated net of provisions for non-performing advances. Specific and general provisions are made based on appraisal of the loan portfolio that takes into account the requirements of the Prudential Regulation issued by the State Bank of Pakistan. The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery after explicit approval from the Board of Directors.

**5.6 Operating fixed assets, depreciation and amortization****(a) Tangible assets - owned**

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to the profit and loss account applying the straight line method at the rates specified in note 11 to the financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each date of Statement of Financial Position. Depreciation is charged from the month the asset is put to use till the month of its disposal. Assets provided to employees are depreciated as per respective employment terms.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Gain or loss on disposal, if any, are recognized in the profit and loss account in the year in which they arise.

**(b) 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 related advances there against, if any, are carried under this head. These are transferred to specific assets as and when assets become available for use.

**(c) Intangibles**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method from the date an asset is available for use, whereby the cost of an intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each date of Statement of Financial Position.

**5.7 Impairment**

The carrying amount of assets is reviewed at each date of Statement of Financial Position to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account.

**5.8 Taxation**

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

**Current**

Current tax is the tax payable on the expected taxable income for the year using tax rates enacted or substantively enacted at the reporting date and, any adjustment to tax payable relating to prior years, after taking into consideration available tax credits, rebates, tax losses etc.

**Deferred**

Deferred tax is provided using the balance sheet method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

**5.9 Staff retirement and other benefits****(a) Defined contribution plan**

The Bank operates recognised contributory provident fund for all its permanent employees to which equal contributions at the rate of 8.33 percent of basic salary are made by both the Bank and the employees. The contributions are recognized as employee benefit expense when they are due.

**(b) Defined benefit scheme**

The Bank operates recognised gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations. The actuarial gains and losses arising at each valuation date are immediately recognized as income or expense in the profit and loss account.

**5.10 Provisions**

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past event and 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 date of Statement of Financial Position and are adjusted to reflect the current best estimate.

**5.11 Provision for off balance sheet obligations**

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has 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 amount can be made. Charge to profit and loss account is stated net of expected recoveries.

**5.12 Borrowings / deposits and their cost**

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognized as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

**5.13 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.

**5.14 Proposed dividend and transfers between reserves**

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the date of Statement of Financial Position are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the period in which they are approved / transfers are made.

**5.15 Revenue recognition**

- Mark-up / interest on loans and advances and return on investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / interest on non-performing advances and investments is recognized on receipt basis, in accordance with the requirements of the Prudential Regulations issued by the SBP. Where debt securities are purchased at a premium or discount, such premium of discount is amortised through the profit and loss account over the remaining period of maturity.
- Dividend income from investments is recognized when the Bank's right to receive the dividend is established.
- Fees, brokerage and commission on letters of credit / guarantees and others is recognized on time proportion basis.
- Financial advisory fees is recognized when the right to receive the fees is established.
- Gain or loss on sale of investments is included in the profit and loss account in the year in which they arise.

**5.16 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-translated to Pak Rupees at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the profit and loss account.

**5.17 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.

**5.18 Offsetting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Bank has a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

**5.19 Dividend distribution and appropriation**

Dividends and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

**5.20 Earnings per share**

The Bank presents basic earnings per share (EPS) which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year / period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

**6. CASH AND BALANCES WITH TREASURY BANKS**

	Note	2012	2011
(Rupees in '000)			
<b>In hand</b>			
- Local currency	6.1	600,240	130,681
- Foreign currency		64,617	21,433
		<b>664,857</b>	<b>152,114</b>
<b>With State Bank of Pakistan in</b>			
- Local currency current account	6.2	1,254,316	1,213,813
- Foreign currency current account	6.3	2,582	2,109
- Foreign currency deposit account			
- Non-Remunerative	6.4	63,633	18,731
- Remunerative	6.5	189,928	53,225
		<b>1,510,459</b>	<b>1,287,878</b>
<b>With National Bank of Pakistan in</b>			
- Local currency current account		213,235	168,413
- Local currency PLS account		41,974	47,410
		<b>255,209</b>	<b>215,823</b>
		<b>2,430,525</b>	<b>1,655,815</b>

6.1 This includes National Prize Bonds of Rs.0.235 million (2011: Rs.0.055 million).

6.2 This represents statutory cash reserve maintained by the Bank with SBP i.e. a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.3 This represents US Dollar Settlement Account maintained with SBP.

6.4 This represents foreign currency cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits mobilized under the FE-25 scheme.

6.5 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 15% of the Bank's foreign currency deposits mobilized under the FE-25 scheme, is maintained in remunerative account on which the Bank is entitled to earn profit which is declared by SBP on a monthly basis. During the year the SBP has not remunerated any return on deposit account.

**7. BALANCES WITH OTHER BANKS**

	Note	2012	2011
(Rupees in '000)			
<b>In Pakistan</b>			
- On current account		100	-
- On saving accounts	7.1	46,578	30,293
<b>Outside Pakistan</b>			
- On current accounts	7.2	377,895	213,226
		<b>424,573</b>	<b>243,519</b>

7.1 This represents saving deposits with a commercial bank carrying profit at the rate ranging from 6.00% to 8.50% per annum (2011: 5.00% to 11.60%).

7.2 This includes Rs. 366.324 million (2011: Rs. 181.645 million) held in Automated Investment Plans. This balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2012	2011
(Rupees in '000)			
Call money lending	8.2	100,000	-
Term deposit receipt accounts	8.3	4,000,000	6,750,000
Repurchase agreement lendings (Reverse repo)	8.4	519,591	4,155,410
	8.1	<u>4,619,591</u>	<u>10,905,410</u>
<b>8.1 Particulars of lending</b>			
In local currency		4,619,591	10,905,410
In foreign currency		-	-
		<u>4,619,591</u>	<u>10,905,410</u>

8.2 This represents inter-bank call money lending carrying mark-up rate at 13.00% per annum.

8.3 This represents term deposit accounts with a commercial bank carrying profit at the rate of 12.50% per annum (2011: 13.75% to 13.85%), with a tenure of one year and having maturity from January 05 2013 to May 31, 2013.

8.4 Securities held as collateral against lendings to financial institutions (Reverse Repo)

Note	2012			2011			
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total	
----- (Rupees in '000) -----							
Pakistan Investment Bond	8.4.1	519,591	-	519,591	4,155,410	-	4,155,410
		<u>519,591</u>	<u>-</u>	<u>519,591</u>	<u>4,155,410</u>	<u>-</u>	<u>4,155,410</u>

8.4.1 The repurchase lending agreements carry mark-up rates ranging from 9.90% to 10.20% per annum (2011: 11.85% to 11.95%).

8.4.2 Market value of securities under repurchase agreement lendings amounts to Rs. 532.852 million (2011: Rs. 4,167 million).

9. INVESTMENTS - NET

9.1 Investments By Types

		2012			2011		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----							
<b>Available-for-sale securities</b>							
Listed Companies (ordinary shares)	9.2.3	783,538	-	783,538	613,264	-	613,264
Mutual Funds / NIT (units / certificates)	9.2.6	750,000	-	750,000	700,000	-	700,000
Listed Term Finance Certificates	9.2.4	48,857	-	48,857	114,806	-	114,806
Pakistan Investment Bonds	9.2.2	18,541	3,373,461	3,392,002	-	-	-
Market Treasury Bills	9.2.1	12,509,269	44,210,309	56,719,578	11,121,061	12,795,005	23,916,066
Unlisted Term Finance Certificates	9.2.5	76,911	-	76,911	77,022	-	77,022
		<u>14,187,116</u>	<u>47,583,770</u>	<u>61,770,886</u>	<u>12,626,153</u>	<u>12,795,005</u>	<u>25,421,158</u>
<b>Held-to-maturity securities</b>							
Listed Term Finance Certificates	9.2.4	284,807	-	284,807	324,910	-	324,910
Certificates of investment	9.2.7	500,000	-	500,000	500,000	-	500,000
		<u>784,807</u>	<u>-</u>	<u>784,807</u>	<u>824,910</u>	<u>-</u>	<u>824,910</u>
<b>Total investments at cost</b>		<u>14,971,923</u>	<u>47,583,770</u>	<u>62,555,693</u>	<u>13,451,063</u>	<u>12,795,005</u>	<u>26,246,068</u>
Provision for diminution in value of investments	9.3	(1,673)	-	(1,673)	(31,382)	-	(31,382)
<b>Investments (net of provisions)</b>		<u>14,970,250</u>	<u>47,583,770</u>	<u>62,554,020</u>	<u>13,419,681</u>	<u>12,795,005</u>	<u>26,214,686</u>
<b>Surplus / (Deficit) on revaluation of available-for-sale securities</b>							
	19	(25,164)	102,168	77,004	(117,994)	(15,157)	(133,151)
<b>Total investments - net of provision</b>		<u>14,945,086</u>	<u>47,685,938</u>	<u>62,631,024</u>	<u>13,301,687</u>	<u>12,779,848</u>	<u>26,081,535</u>

9.2 Investments By Segments Note

	Note	2012	2011
		(Rupees in '000)	
<b>Federal Government Securities</b>			
- Market Treasury Bills	9.2.1	56,719,578	23,916,066
- Pakistan Investment Bonds	9.2.2	3,392,002	-
<b>Fully Paid-up Ordinary Shares</b>			
- Listed companies (ordinary shares)	9.2.3	783,538	613,264
<b>Term Finance Certificates</b>			
- Listed	9.2.4	333,664	439,716
- Unlisted	9.2.5	76,911	77,022
		<u>410,575</u>	<u>516,738</u>
<b>Other Investments</b>			
- Mutual Funds (units / certificates)	9.2.6	750,000	700,000
- Certificates of Investment	9.2.7	500,000	500,000
<b>Total investments at cost</b>		<u>62,555,693</u>	<u>26,246,068</u>
Provision for diminution in value of investments	9.3	(1,673)	(31,382)
<b>Investments (net of provisions)</b>		<u>62,554,020</u>	<u>26,214,686</u>
<b>Surplus / (Deficit) on revaluation of available-for-sale securities</b>			
	19	77,004	(133,151)
		<u>62,631,024</u>	<u>26,081,535</u>

9.2.1 These securities are for a maximum period of one year. The effective yield on these bills ranges from 9.09% to 9.70% per annum (2011: 11.80% to 12.10%) with maturities upto October 17, 2013.

9.2.2 These securities have tenure of 5 to 20 years. The Bank's return on these securities ranges from 11.5% to 13% per annum with maturities from August 2013 to August 2031.

9.2.3 Details of investment in Shares of listed companies

	2012				2011			
	Rating *	Number of shares	Market value	Cost	Rating *	Number of shares	Market value	Cost
			(Rupees in '000)				(Rupees in '000)	
<b>Available-for-sale securities</b>								
Fully paid up ordinary shares of Rs. 10/- each (unless stated otherwise)								
Pakistan Petroleum Limited	N/A	125,000	22,099	22,384	N/A	59,950	10,090	11,613
Pakistan Refinery Limited	N/A	104,158	7,218	8,892	N/A	104,158	7,053	8,892
Pakistan State Oil Company Limited	-	-	-	-	AA+ / A1+	315,377	71,657	80,027
Engro Corporation Limited	-	-	-	-	AA / A1+	547,000	50,707	80,250
Fauji Fertilizer Company Limited	N/A	700,000	81,998	83,485	N/A	147,000	21,982	23,646
International Steel Limited	N/A	2,550,000	30,855	35,879	N/A	2,550,000	29,606	35,879
Aisha Steel Mills Limited	A-/A-2	5,000,000	53,250	50,000	-	-	-	-
Attock Cement Pakistan Limited	-	-	-	-	N/A	2,601	133	137
Lucky Cement Limited	-	-	-	-	N/A	65,932	4,948	4,733
Thatta Cement Company Limited	N/A	3,375,000	84,375	84,501	N/A	3,375,000	80,156	58,747
The Hub Power Company Limited	-	-	-	-	AA+ / A1+	2,275,000	77,805	79,813
Sui Southern Gas Company Limited	AA- / A1+	4,989,660	102,338	106,763	AA- / A1+	4,615,041	89,024	90,006
Sui Northern Gas Pipelines Limited	AA / A1+	14,140,272	328,761	340,113	AA / A1+	42,000	660	762
Allied Bank Limited	-	-	-	-	AA / A1+	622,578	33,538	40,070
Bank Al-Falah Limited	-	-	-	-	AA / A1+	2,527,973	28,440	29,553
National Bank of Pakistan	-	-	-	-	AAA / A-1+	1,229,502	50,470	59,136
Summit Bank Limited	A-/A-2	11,872,585	35,262	41,521	-	-	-	-
TPL Direct Insurance Limited	N/A	1,000,000	9,980	10,000	N/A	1,000,000	10,080	10,000
<b>Total investment in shares of listed companies</b>			<u>756,136</u>	<u>783,538</u>			<u>566,349</u>	<u>613,264</u>

\* Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.4 Details of investment in Term Finance Certificates - Listed

	2012					2011				
	Rating *	Number of Certificates	Paid-up value per certificate	Market value (Rupees in '000)	Cost	Rating *	Number of Certificates	Paid-up value per certificate	Market value (Rupees in '000)	Cost
<b>Available-for-sale securities</b>										
NIB Bank Limited **	A+	10,000	5,000	50,035	48,857	A+	10,000	5,000	48,935	48,420
Bank Al-Falah Limited - 2nd issue **	-	-	-	-	-	AA-	15,000	5,000	49,854	50,005
Bank Al-Habib Limited - 1st issue **	-	-	-	-	-	AA	5,000	5,000	15,091	16,381
				<u>50,035</u>	<u>48,857</u>				<u>113,880</u>	<u>114,806</u>
<b>Held-to-maturity securities</b>										
ORIX Leasing Pakistan Limited - 3rd issue	AA+	1,000	100,000	60,000	60,000	AA+	1,000	100,000	100,000	100,000
Summit Bank Limited **	A-(SO)	44,982	5,000	224,807	224,807	A	44,982	5,000	324,910	324,910
				<u>284,807</u>	<u>284,807</u>				<u>438,790</u>	<u>439,716</u>
				<u>334,842</u>	<u>333,664</u>				<u>438,790</u>	<u>439,716</u>

\* Represents instrument rating in case of investment in term finance certificates.

\*\* These term finance certificates are sub-ordinated. In case of occurrence of default, the payment in respect of principal and profit will rank subordinated to all the depositors and other creditors of the issuing banks.

9.2.4.1 Other particulars of listed term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
NIB Bank Limited (unsecured)	1.15% above 6 months KIBOR	Semi-annually	Eight years from March 5, 2008 (date of issue).
ORIX Leasing Pakistan Limited - 3rd issue (secured)	2.15% above 3 months KIBOR	Quarterly	Three years from June 30, 2011 (date of issue).
Summit Bank Limited (unsecured)	3.25% above 6 months KIBOR	Semi-annually	Seven years from October 27, 2011 (date of issue).

9.2.5 Details of investments in Term Finance Certificates - Un-listed

	2012					2011				
	Rating *	Number of Certificates	Paid-up value per certificate	Market value	Cost	Rating *	Number of Certificates	Paid-up value per certificate	Market value	Cost
			(Rupees in '000)					(Rupees in '000)		
Bank Al-Habib Limited - 4th issue **	AA	10,000	5,000	51,472	51,462	AA	10,000	5,000	51,488	51,488
Faysal Bank Limited - 2nd issue **	AA-	5,000	5,000	25,449	25,449	AA-	5,000	5,000	25,534	25,534
				<u>76,921</u>	<u>76,911</u>				<u>77,022</u>	<u>77,022</u>

\* Represents instrument rating in case of investment in term finance certificates.

\*\* These term finance certificates are sub-ordinated. In case of occurrence of default, the payment in respect of principal and profit will rank subordinated to all the depositors and other creditors of the issuing banks.

9.2.5.1 Other particulars of un-listed term finance certificates are as follows:

Particulars	Other information	Rate	Profit payment	Redemption terms
Bank Al-Habib Limited - 4th issue (unsecured)	Chief Executive Officer: Mr. Abbas D. Habib	15% per annum from year 1 to 5 and 15.5% per annum from year 6 to 10	Semi-annually	Ten years from June 30, 2011 (date of issue).
Faysal Bank Limited - 2nd issue (unsecured)	Chief Executive Officer: Mr. Naveed A. Khan	2.25% above 6 months KIBOR	Semi-annually	Seven years from December 27, 2011 (date of issue).

9.2.6 Details of investments in Mutual Funds available-for-sale securities

	2012				2011			
	Number of units*	Rating *	Market / net asset value	Cost	Number of units*	Rating *	Market / net asset value	Cost
			(Rupees in '000)				(Rupees in '000)	
<b>Open end</b>								
National Investment Unit Trust	22,368,029	AM2-	742,395	750,000	15,613,985	AM2-	404,402	500,000
NAFA Govt. Securities Liquid Fund	-	-	-	-	19,642,313	AAA (f)	200,055	200,000
<b>Total Investments in Mutual Funds</b>			<u>742,395</u>	<u>750,000</u>			<u>604,457</u>	<u>700,000</u>

\* Represents instrument rating in case of investment in mutual funds.



### 9.2.7 Certificates of investment

	2012				2011			
	Other information	Rating	Market value	Cost	Other information	Rating	Market value	Cost
			(Rupees in '000)				(Rupees in '000)	
Pak Brunei Investment Co. Ltd	Chief Executive Officer: Ms. Ayesha Aziz	AA/A1+	500,000	500,000	Chief Executive Officer: Ms. Ayesha Aziz	AA/A1+	500,000	500,000

This represent COI carrying profit at the rate of 11.50% per annum (2011: 13.65%) with maturity on March 25, 2013.

### 9.3 Particulars of provision for diminution in the value of investments

	2012	2011
Opening balance	31,382	-
Charge for the year / period	1,069	31,382
Reversal made during the year	(1,235)	-
	(166)	31,382
Reversal on disposal of shares	(29,543)	-
	9.3.1 1,673	31,382

### 9.3.1 Particulars of provision in respect of Type and Segment

#### Available-for-sale securities

Listed shares	1,673	31,382
	1,673	31,382

### 10. ADVANCES

#### Loans, cash credits, agriculture, running finances etc.

In Pakistan	10.3 18,746,209	7,123,838
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#### Bills discounted and purchased (excluding market treasury bills)

Payable in Pakistan	525,393	2,060
Payable outside Pakistan	10,286	133,432
Advances - net	19,281,888	7,259,330

### 10.1 Particulars of advances

10.1.1 In local currency	19,281,888	7,259,330
In foreign currency	-	-
	19,281,888	7,259,330
10.1.2 Short term (for upto one year)	15,940,209	6,803,345
Long term (for over one year)	3,341,679	455,985
	19,281,888	7,259,330

10.2 None of the Bank's advances were placed on non performing status as at December 31, 2012.

10.3 This includes commodity financing amounting to Rs. 5.18 billion (2011: Rs. 1.16 billion) provided to Food Department, Government of Sindh.

Note  
2012  
2011  
(Rupees in '000)

### 10.4 Particulars of loans and advances to directors, associated companies, subsidiaries etc.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:

Balance at beginning of year / period	68,154	-
Loans granted during the year / period	46,731	71,274
Repayments	(17,130)	(3,120)
Outgoing employee	(11,624)	-
Balance at end of year / period	10.4.1 86,131	68,154

### 10.4.1 This represents staff loans given by the Bank to its executives / officers as per their terms of employment.

Debts due by associates and companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members:

Balance at beginning year / period	* 342,445	-
Loans granted during the year / period	3,382,793	197,975
Repayments	(2,838,471)	(18,298)
Termination of related party relationship	(418,017)	-
Balance at end of year / period	468,750	179,677

\* This includes loan balance of an entity where more than 20% equity has been acquired by Government of Sindh during the year ended December 31, 2012.

### 11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1 137,367	6,876
Property and equipment	11.2 1,352,728	533,465
Intangible assets	11.3 66,709	43,713
	1,556,804	584,054

11.1 This represents advance payment for purchase of furniture and fixture, office equipment and vehicles.

11.2 Property and equipment - own use

	2012							
	Cost		Accumulated Depreciation			Net book value as at December 31, 2012	Rate of depreciation %	
	As at January 01, 2012	Additions / (deletion) / adjustment	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposal) / adjustment			As at December 31, 2012
	(Rupees in '000)							
Leasehold improvements	224,123	472,210 (2,497) (1,518)	692,318	3,563	16,962 (9) (5)	20,511	671,807	5
Furniture and fixtures	87,209	194,045 (825) 877	281,306	3,469	15,989 (21)	19,438	261,868	10
Computer equipments	162,138	240,894 (9,091) (247)	393,694	18,841	58,971 (1,908)	75,904	317,790	33.33 & 20
Vehicles	99,631	41,288 (1,352) (888)	139,567	13,763	24,789 (248)	38,304	101,263	20
	573,101	948,437 (13,765) (888)	1,506,885	39,636	116,711 (2,186) (4)	154,157	1,352,728	
	2011							
	Cost		Accumulated Depreciation			Net book value as at December 31, 2011	Rate of depreciation %	
	As at October 29, 2010	Additions	As at December 31, 2011	As at October 29, 2010	Charge / disposal			As at December 31, 2011
	(Rupees in '000)							
Leasehold improvements	-	224,123	224,123	-	3,563	3,563	220,560	5
Furniture and fixtures	-	87,209	87,209	-	3,469	3,469	83,740	10
Computer equipments	-	162,138	162,138	-	18,841	18,841	143,297	33.33 & 20
Vehicles	-	99,631	99,631	-	13,763	13,763	85,868	20
	-	573,101	573,101	-	39,636	39,636	533,465	

11.2.1 The cost of fully depreciated furniture and fixture, office and computer equipment still in use amounted to Rs. 4.96 million (2011: Rs. 3.51 million).

11.3 Intangible assets

	2012							
	Cost		Accumulated Depreciation			Net book value as at December 31, 2012	Rate of amortization %	
	As at January 01, 2012	Additions / (deletion)	As at December 31, 2012	As at January 01, 2012	Amortization for the year / adjustment			As at December 31, 2012
	(Rupees in '000)							
Softwares	48,856	35,194 (86)	83,964	5,143	12,115 (3)	17,255	66,709	20
	48,856	35,194 (86)	83,964	5,143	12,115 (3)	17,255	66,709	
	2011							
	Cost		Accumulated Depreciation			Net book value as at December 31, 2011	Rate of amortization %	
	As at October 29, 2010	Additions	As at December 31, 2011	As at October 29, 2010	Amortization for the period			As at December 31, 2011
	(Rupees in '000)							
Softwares	-	48,856	48,856	-	5,143	5,143	43,713	20
	-	48,856	48,856	-	5,143	5,143	43,713	

11.4 Disposal

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

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers / insurance claim
	----- Rupees in '000 -----					
<b>Leasehold Improvements</b>						
Renovation work	1,446	6	1,440	528	Insurance claim	National Insurance Company Limited
Renovation work	875	-	875	804	Insurance claim	National Insurance Company Limited
Renovation work	176	3	173	158	Various	Various
	2,497	9	2,488	1,490		
<b>Furniture &amp; Fixture</b>						
Miscellaneous	825	21	803	713	Various	Various
<b>Computers</b>						
Desktop, printers, scanners etc.	1,223	373	850	852	Various	Various
<b>Machine Equipments</b>						
Thales Host Security Module HSM9000-SL for ATM	1,875	250	1,625	1,625	Insurance claim	National Insurance Company Limited
CE - Switch	576	156	420	420	Insurance claim	National Insurance Company Limited
Network Card ASA 5520	834	14	820	820	Insurance claim	National Insurance Company Limited
Split Ac, CCTV system, UPS, Router, Switch etc	4,669	1,118	3,551	3,443	Various	Various
	7,954	1,538	6,416	6,308		
<b>Motor Vehicle</b>						
Suzuki Alto VXR	676	135	541	541	Insurance claim	National Insurance Company Limited
Suzuki Alto VXR	676	113	563	650	Insurance claim	National Insurance Company Limited
	1,352	248	1,104	1,191		
<b>December 31, 2012</b>	<b>13,851</b>	<b>2,189</b>	<b>11,661</b>	<b>10,554</b>		
December 31, 2011	-	-	-	-		

		2012	2011
		(Rupees in '000)	
<b>12. OTHER ASSETS</b>	Note		
Accrued income on bank deposits, COI's, placements, advances and others		798,636	773,702
Advances, deposits, advance rent and other prepayments		494,510	224,114
Dividend receivable		-	109
Insurance claim receivable against agriculture loans		3,585	1,206
Receivable against forward forex revaluation - net		4,834	-
Stationery and stamps in hand		5,576	964
Advance tax - net		15,022	-
Insurance claim receivable		10,030	43
Other receivables		14,501	322
		<u>1,346,694</u>	<u>1,000,460</u>
<b>13. BILLS PAYABLE</b>			
In Pakistan		176,125	42,251
Outside Pakistan		-	-
		<u>176,125</u>	<u>42,251</u>
<b>14. BORROWINGS</b>			
In Pakistan		48,602,402	13,012,647
Outside Pakistan		-	-
		<u>48,602,402</u>	<u>13,012,647</u>
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		48,602,402	13,012,647
In foreign currency		-	-
		<u>48,602,402</u>	<u>13,012,647</u>
<b>14.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under export refinance scheme	14.2.1	974,320	200,000
Repurchase agreement borrowings			
- State Bank of Pakistan	14.2.2	47,482,053	12,042,347
- Other commercial banks	14.2.3	146,029	770,300
		<u>47,628,082</u>	<u>12,812,647</u>
		<u>48,602,402</u>	<u>13,012,647</u>
<b>14.2.1</b>	This represent borrowings from SBP under export refinance scheme at the rate ranging from 9.50% to 11% per annum (2011: 10%) having maturity upto six months.		
<b>14.2.2</b>	This represent repurchase agreement borrowing from SBP at the rate ranging from 8.88% to 8.90% per annum (2011: 11.72% to 11.75%) having maturities in January 2013 and are secured against Government securities having carrying value of Rs. 47,437.896 million (2011: 12,065.297 million).		
<b>14.2.3</b>	This represent repurchase agreement borrowing from commercial banks at the rate of 8% per annum (2011: 11.9%) having maturities in January 2013 and are secured against Government securities having carrying value of Rs. 145.874 million (2011: Rs. 729.708 million).		

**15. DEPOSITS AND OTHER ACCOUNTS**

		2012	2011
		(Rupees in '000)	
<b>Customers</b>			
Fixed deposits		6,808,912	2,469,667
Savings deposits		15,430,640	17,614,129
Current accounts - non-remunerative		9,017,666	3,333,540
Margin and other accounts - non-remunerative		71,157	35,748
		<u>31,328,375</u>	<u>23,453,084</u>
<b>Financial Institutions</b>			
Remunerative deposits		139,040	60,986
Non-remunerative deposits		2,237	3,670
		<u>141,277</u>	<u>64,656</u>
		<u>31,469,652</u>	<u>23,517,740</u>
<b>15.1 Particulars of deposits</b>			
In local currency		30,057,499	23,189,159
In foreign currency		1,412,153	328,581
		<u>31,469,652</u>	<u>23,517,740</u>
<b>15.2</b>	The above includes deposits amounting to Rs. 9.307 billion (2011: Rs. 18.287 billion) received from various departments of the Government of Sindh.		
<b>16. DEFERRED TAX LIABILITIES</b>			
<b>Deferred tax credits arising in respect of:</b>			
Operating fixed assets - Tangible		172,909	69,976
Operating fixed assets - Intangible		7,548	3,900
Surplus/(deficit) on revaluation of investments - net		27,385	(46,603)
		<u>207,842</u>	<u>27,273</u>
<b>Deferred tax debits arising due to:</b>			
Provision for compensated absences		-	(4,033)
Provision for diminution in the value of investments		(586)	(10,984)
Provision for gratuity		-	(1,934)
		<u>(586)</u>	<u>(16,951)</u>
		<u>207,256</u>	<u>10,322</u>
<b>16.1 Reconciliation of deferred tax</b>			

	2012			2011			
	Balance as at December 31, 2011	Recognised in profit and loss account	Recognised in deficit on revaluation of investments	Balance as at October 29, 2010	Recognised in profit and loss account	Recognised in deficit on revaluation of investments	Balance as at December 31, 2011
<b>Deferred tax credits arising in respect of:</b>	(Rupees in '000)						
- Operating fixed assets - Tangible	69,976	102,933	-	172,909	-	-	69,976
- Operating fixed assets - Intangible	3,900	3,648	-	7,548	-	-	3,900
- Surplus on revaluation of investments	-	-	27,385	27,385	-	-	-
	<u>73,876</u>	<u>106,581</u>	<u>27,385</u>	<u>207,842</u>	<u>73,876</u>	<u>-</u>	<u>73,876</u>
<b>Deferred tax debits arising due to:</b>	(Rupees in '000)						
- Deficit on revaluation of investments	46,603	-	(46,603)	-	-	46,603	46,603
- Provision for compensated absences	4,033	(4,033)	-	-	4,033	-	4,033
- Provision for diminution in the value of investments	10,984	(10,398)	-	586	10,984	-	10,984
- Provision for gratuity	1,934	(1,934)	-	-	1,934	-	1,934
	<u>63,554</u>	<u>(16,365)</u>	<u>(46,603)</u>	<u>586</u>	<u>16,951</u>	<u>46,603</u>	<u>63,554</u>

17. OTHER LIABILITIES	Note	2012	2011
		(Rupees in '000)	
Mark-up / return / profit / interest payable in local currency		344,431	205,799
Mark-up / return / profit / interest payable in foreign currency		6,230	541
Payable to Employees' Provident Fund		-	13,543
Payable to Employees' Gratuity Fund	31.1.2	18,547	5,526
Provision for compensated absences		26,381	11,522
Accrued expenses		62,486	18,882
Payable against purchase of shares		-	108,886
Payable against purchase of assets		201,679	51,368
Retention money - suppliers / contractors		68,556	29,608
Federal excise duty payable		1,253	302
Provision for taxation-net		-	29,014
Withholding tax payable		802	48
Others		17,111	9,111
		<u>747,476</u>	<u>484,150</u>
<b>18. SHARE CAPITAL</b>			
<b>18.1 Authorised Capital</b>			
		2012	2011
		(Rupees in '000)	
		Number of Shares	
		<u>1,000,000,000</u>	<u>1,000,000,000</u>
		Ordinary shares of Rs. 10/- each	<u>10,000,000</u>
			<u>10,000,000</u>
<b>18.2 Issued, subscribed and paid-up capital</b>			
		<u>1,000,000,000</u>	<u>1,000,000,000</u>
		Ordinary shares of Rs. 10/- each	<u>10,000,000</u>
		fully paid in cash	<u>10,000,000</u>
<b>18.3</b>			
The Government of Sindh, through its Finance Department, owns 100% ordinary shares of the Bank.			
<b>19. SURPLUS / DEFICIT ON REVALUATION OF INVESTMENTS- net of deferred tax</b>		2012	2011
		(Rupees in '000)	
<b>Available-for-sale securities</b>			
Government securities		109,160	(21,148)
Listed companies (ordinary shares)		(25,729)	(15,533)
Mutual funds (units / certificates)		(7,605)	(95,543)
Term finance certificates		1,178	(927)
		<u>77,004</u>	<u>(133,151)</u>
Reversal of impairment on shares		1,235	-
		<u>78,239</u>	<u>(133,151)</u>
Related deferred taxation		(27,384)	46,603
		<u>50,855</u>	<u>(86,548)</u>

20. CONTINGENCIES AND COMMITMENTS	2012	2011
	(Rupees in '000)	
<b>20.1 Direct credit substitutes</b>		
Includes general guarantees of indebtedness in favour of:		
i) Government	255,384	1,846
ii) Banking companies and other financial institutions	32,424	823,228
iii) Others	18,551	39,313
	<u>306,359</u>	<u>864,387</u>
<b>20.2 Trade related contingent liabilities</b>		
Others	<u>1,064,792</u>	<u>506,027</u>
<b>20.3 Commitments to extend credit</b>		
- Commitments to extend credit	<u>11,009,823</u>	<u>6,680,710</u>
<b>20.4 Transaction related contingent liabilities</b>		
Contingent liabilities in respect of guarantee given, favoring		
- Others	<u>500,000</u>	-
<b>20.5 Commitment in respect of forward exchange contracts</b>		
- Purchase	<u>2,765,611</u>	<u>134,429</u>
- Sale	<u>2,011,073</u>	<u>135,567</u>
<b>20.6 Commitment in respect of repo transaction</b>		
- Sale and repurchase agreement	<u>47,674,384</u>	<u>12,820,895</u>
- Purchase and resale agreement	<u>523,367</u>	<u>4,169,280</u>
<b>20.7</b>		
The Competition Commission of Pakistan (CCP) through its order dated June 28, 2012 has imposed a total penalty of Rs 770 million, including Rs 50 million on I-Link (Guarantee) Limited and Rs 50 million each on its 11 founding member banks and Rs 10 million on each of its 17 non-founding member banks for imposing uniform customer charges for off-us ATM cash withdrawal transactions in violation of Section 4 of the Competition Act, 2010. Sindh Bank falls under the category of non-founding member. All the affected banks and I-Link (Guarantee) Limited had filed an appeal with the Appellate Tribunal of CCP and simultaneously filed a Constitution Petition with Sindh High Court against the eligibility of CCP to impose penalty. The High Court, in the mean time has allowed injunction against payment of penalty, pending the petition.		
<b>21. MARK-UP / RETURN / PROFIT / INTEREST EARNED</b>	2012	2011
		(from October 29, 2010 to December 31, 2011)
	(Rupees in '000)	
On loans and advances to customers	1,921,106	353,045
On investments in:		
- Held-for-trading securities	-	86
- Available-for-sale securities	3,287,582	2,065,890
- Held-to-maturity securities	110,268	126,894
On deposits with financial institutions	617,939	980,841
On securities purchased under resale agreements	108,844	104,824
On call / clean lendings	95,459	72,700
	<u>6,141,198</u>	<u>3,704,280</u>

22. MARK-UP / RETURN / PROFIT / INTEREST EXPENSED

	2012	2011 (from October 29, 2010 to December 31, 2011)
Note	(Rupees in '000)	
Deposits	1,868,520	1,606,040
Securities sold under repurchase agreements	2,112,546	632,367
Other short term borrowings	121,717	2,938
	<u>4,102,783</u>	<u>2,241,345</u>
<b>23. GAIN ON SALE OF SECURITIES - NET</b>		
<b>Federal Government Securities</b>		
- Market Treasury Bills	50,720	141,484
- Pakistan Investment Bonds	3,241	(2,729)
<b>Mutual Funds</b>	29,106	-
<b>Shares - Listed</b>	174,433	1,533
	<u>257,500</u>	<u>140,288</u>
<b>24. OTHER INCOME</b>		
Prequalification application fee	533	308
Loss on sale of fixed assets	(1,108)	-
Rebate income on mutual funds	1,560	-
Others	392	27
	<u>1,377</u>	<u>335</u>
<b>25. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances and benefits	589,394	242,976
Contribution to defined contribution plan	31.2 14,217	6,559
Contribution to defined benefit plan	31.1.4 13,021	5,526
Non-executive director's fee	4,000	3,650
Rent, taxes, insurance, electricity, etc.	252,528	68,370
Legal and professional charges	2,440	1,185
Communications	31,898	9,297
Repairs and maintenance	28,672	13,082
Stationery and printing	29,241	12,461
Security service charges	45,337	7,722
Advertisement and publicity	79,148	24,590
Donations	-	30,678
Amortization of intangible assets	11.3 12,115	5,143
Depreciation on operating fixed assets	11.2 116,707	39,636
Auditors' remuneration	25.1 2,728	2,239
Travelling and conveyance	12,348	6,544
Brokerage and commission	3,824	5,732
Fees and subscription	21,017	20,611
Entertainment	9,518	3,863
Miscellaneous	9,454	3,909
	<u>1,277,607</u>	<u>513,773</u>

25.1 Auditors' remuneration

	2012	2011 (from October 29, 2010 to December 31, 2011)
	(Rupees in '000)	
Annual audit fee	1,200	1,000
Review of half yearly financial statements	650	650
Tax services	300	-
Certifications and other advisory services	420	525
Out-of-pocket expenses	158	64
	<u>2,728</u>	<u>2,239</u>

26 OTHER CHARGES

Penalty imposed by the SBP	29	-
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27. TAXATION

Current	275,709	333,477
Deferred	122,946	56,925
	<u>398,655</u>	<u>390,402</u>

27.1 Relationship between tax expense and accounting profit

Profit before tax	1,286,427	1,139,963
Tax on income @ 35%	450,249	398,987
15% surcharge for tax year 2011	-	1,489
Tax at reduced rate	(52,056)	(17,161)
Effect of permanent differences	-	7,087
Reversal of impairment	462	-
	<u>398,655</u>	<u>390,402</u>

28. BASIC AND DILUTED EARNINGS PER SHARE

Profit after tax for the year / period	887,772	749,561
	(Number of Shares)	
Weighted average number of ordinary shares	1,000,000,000	1,000,000,000
	(Rupees)	
Basic and diluted earnings per share	0.89	0.75

	2012	2011
	(Rupees in '000)	
<b>29. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	2,430,525	1,655,815
Balances with other banks	424,573	243,519
	<u>2,855,098</u>	<u>1,899,334</u>

	2012	2011
<b>30. STAFF STRENGTH</b>		
	Number of staff	
Permanent	924	462
Temporary / on contractual basis	114	44
Bank's own staff at the end of the year / period	<u>1,038</u>	<u>506</u>
Outsourced	203	86
Total staff strength	<u>1,241</u>	<u>592</u>

30.1 Outsourced represents employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.

### 31. DEFINED BENEFIT AND CONTRIBUTION PLANS

#### 31.1 Defined benefit plan

The Bank operates a recognised gratuity scheme for all its permanent and full time employees in the management cadre who have completed the minimum qualifying period of three years. Contributions are made to the fund in accordance with the recommendations of the actuary. Employees are entitled to the benefits under the scheme which comprise of one month last drawn basic salary for each completed year of service, subject to completion of minimum three years services with the Bank.

##### 31.1.1 Principal actuarial assumptions

The latest actuarial valuation is carried out as at 31 December 2012 using the "Projected Unit Credit Actuarial Cost Method". Following are the significant assumptions used in the actuarial valuation:

	2012	2011
- Discount rate - percent (per annum)	11.5	12.5
- Expected rate of increase in salaries - percent (per annum)	11.5	12.5
- Withdrawal rate before normal retirement age	"moderate"	"moderate"

##### 31.1.2 Reconciliation of payable to defined benefit plan

	(Rupees in '000)	
Present value of defined benefit obligations	18,547	5,526
Fair value of plan assets	-	-
(Surplus) / deficit	<u>18,547</u>	<u>5,526</u>
Unrecognised actuarial (losses) / gains	-	-
Payable to defined benefit plan	<u>18,547</u>	<u>5,526</u>

##### 31.1.3 Movement in payable to defined benefit plan

Opening balance	5,526	-
Charge for the year / period	13,021	5,526
Benefits paid	-	-
Closing balance	<u>18,547</u>	<u>5,526</u>

	2012	2011
	(from October 29, 2010 to December 31, 2011)	
	(Rupees in '000)	

#### 31.1.4 Charge for defined benefit plan

Current service cost	13,126	5,526
Interest cost	691	-
Expected return on plan assets	-	-
Actuarial gain / (loss) recognised	(796)	-
Charge for the year / period	<u>13,021</u>	<u>5,526</u>

	2012	2011
	(Rupees in '000)	

#### 31.1.5 Movement in present value of defined benefit obligation

Defined benefit obligation as at the beginning of the year / period	5,526	-
Current Service cost	13,126	5,526
Interest cost	691	-
Actuarial (gain) / loss on obligation	(796)	-
Benefits paid during the year / period	-	-
Defined benefit obligation as at end of the year / period	<u>18,547</u>	<u>5,526</u>

31.1.6 The expected gratuity expense for the year commencing January 01, 2013 works out to Rs. 22.04 million.

#### 31.2 Defined contribution plan

The Bank operates a recognised provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is one year. The contribution made by the Bank and its employees during the year amounted to Rs. 14.217 million. The number of employees as at December 31, 2012 eligible under the scheme were 649.

### 32. COMPENSATED ABSENCES

The Bank grants compensated absences to all its regular employees as per service rules. Regular employees are entitled to 30 days privilege leave for each completed year of service. Unused privilege leaves are accumulated upto maximum of 60 days which would be encashed at the time of retirement from the regular service of the Bank or severance of service except dismissal. These are encashable on the basis of last drawn gross salary.

An actuarial valuation was carried out using the "Project Unit Credit Actuarial Cost Method" to determine the liability of the Bank as at 31 December 2012. Following are the significant assumptions used in the actuarial valuation :

	2012	2011
- Discount rate - percent (per annum)	11.5	-
- Expected rate of increase in salaries - percent (per annum)	11.5	-
- Leave Accumulation Factor	12 leaves per annum	-

32.1 No actuarial valuation was carried out as at December 31, 2011.

33. COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2012		
	Chief Executive Officer	Directors	Executives
	----- (Rupees in '000) -----		
Fees	-	4,000	-
Managerial remuneration	14,545	-	101,658
Charge for defined benefit plan	277	-	6,186
Contribution for defined contribution plan	1,212	-	6,264
Rent and house maintenance	6,545	-	45,746
Utilities	1,455	-	10,166
Medical	1,455	-	10,166
Conveyance	823	-	32,216
Bonus and others	18,175	-	34,293
	<u>44,487</u>	<u>4,000</u>	<u>246,695</u>
	----- (Number) -----		
Number of persons	<u>1</u>	<u>7</u>	<u>92</u>
	2011		
	(from October 29, 2010 to December 31, 2011)		
	Chief Executive Officer	Directors	Executives
	----- (Rupees in '000) -----		
Fees	-	3,350	-
Managerial remuneration	12,250	-	48,179
Charge for defined benefit plan	650	-	2,821
Contribution for defined contribution plan	1,020	-	3,265
Rent and house maintenance	5,513	-	21,681
Utilities	1,225	-	4,818
Medical	1,225	-	4,818
Conveyance	803	-	11,895
Bonus and others	2,963	-	11,248
	<u>25,649</u>	<u>3,350</u>	<u>108,725</u>
	----- (Number) -----		
Number of persons	<u>1</u>	<u>9</u>	<u>39</u>

33.1 The Chief Executive Officer and certain executives of the Bank are provided with free use of the Bank's maintained car.

33.2 Executive means employees, other than the Chief Executive Officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

Assets

Cash and balances with treasury banks  
Balances with other banks  
Lendings to financial institutions  
Investments - net  
Advances  
Other assets

Liabilities

Bills payable  
Borrowings  
Deposits and other accounts  
Other liabilities

	2012	
	Book Value	Fair Value
	(Rupees in '000)	
	2,430,525	2,430,525
	424,573	424,573
	4,619,591	4,619,591
	62,554,020	62,631,024
	19,281,888	19,281,888
	798,636	798,636
	<u>90,109,233</u>	<u>90,186,237</u>
	176,125	176,125
	48,602,402	48,602,402
	31,469,652	31,469,652
	350,661	350,661
	<u>80,598,840</u>	<u>80,598,840</u>

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks  
Balances with other banks  
Lendings to financial institutions  
Investments - net  
Advances  
Other assets

Liabilities

Bills payable  
Borrowings  
Deposits and other accounts  
Other liabilities

	2011	
	Book Value	Fair Value
	(Rupees in '000)	
	1,655,815	1,655,815
	243,519	243,519
	10,905,410	10,905,410
	26,214,686	26,081,535
	7,259,330	7,259,330
	773,702	773,702
	<u>47,052,462</u>	<u>46,919,311</u>
	42,251	42,251
	13,012,647	13,012,647
	23,517,740	23,517,740
	206,340	206,340
	<u>36,778,978</u>	<u>36,778,978</u>

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on cost less any impairment as per the policy of the Bank. Fair value of Government securities is determined using PKRV rates.

Fair value of other fixed term investments, lendings and deposits can not be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer financing and deposits are frequently repriced.

#### 34.2 Off-balance sheet financial instruments

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	(Rupees in '000)		(Rupees in '000)	
Forward purchase of foreign exchange	2,765,611	2,765,611	134,429	134,429
Forward sale of foreign exchange	2,011,073	2,011,073	135,567	135,567

#### 35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Bank is in the process of structuring its key business areas in various segments in a manner that each segment becomes a distinguishable component of the Bank that is engaged in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Bank have been broadly categorized into the following classifications of business segments in accordance with the requirements of the State Bank of Pakistan.

##### (a) Business segments

###### Corporate Finance

It includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offer (IPOs) and secondary private placements.

###### Trading and sales

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

###### Retail Banking

Retail banking includes mortgage finance and personal loans to individual customers.

###### Commercial Banking and others

This includes loans, deposits and other transactions with corporate, small and medium sized customers including agriculture loans.

##### (b) Geographical Segments

The Bank operates only in Pakistan.

Based on above structure, the segment information for the year ended December 31, 2012 is given below:

	2012				Total
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	
	(Rupees in '000)				
Total income	4,623,423	-	-	2,044,492	6,667,915
Inter segment revenue - net	(1,898,983)	-	-	1,898,983	-
Total income - net	2,724,440	-	-	3,943,475	6,667,915
Total expenses	(2,254,438)	-	-	(3,127,050)	(5,381,488)
Net income / (loss) before tax	470,002	-	-	816,425	1,286,427
Segment assets	69,455,671	-	-	22,835,428	92,291,099
Segment liabilities	47,730,434	-	-	33,472,477	81,202,911
Segment return on assets (ROA) (%)*	11.41%	-	-	11.74%	-
Segment cost of funds (%)*	10.39%	-	-	7.56%	-

\* Includes inter-segment revenue / cost.

	2011				Total
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	
	(Rupees in '000)				
Total income	3,556,800	-	-	369,663	3,926,463
Inter segment revenue - net	(2,247,271)	-	-	2,247,271	-
Total income - net	1,309,529	-	-	2,616,934	3,926,463
Total expenses	(710,591)	-	-	(2,075,909)	(2,786,500)
Net income / (loss) before tax	598,938	-	-	541,025	1,139,963
Segment assets	38,901,595	-	-	8,828,528	47,730,123
Segment liabilities	12,900,310	-	-	24,166,800	37,067,110
Segment return on assets (ROA) (%)*	13.25%	-	-	12.83%	-
Segment cost of funds (%)*	11.50%	-	-	11.79%	-

\* Includes inter-segment revenue / cost.



## 36. RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise associated undertakings, directors, staff retirement funds and key management personnel (including their associates).

Usual transactions with related parties includes deposits, advances and other banking services which are carried out in accordance with agreed terms. Transactions with executives are undertaken at terms in accordance with employment agreements and services rules.

Contributions to and accruals in respect of staff retirement benefits plan are made in accordance with the term of the benefit plan. Remuneration of the Chief Executive Officer and directors are determined in accordance with the terms of their appointment.

The details of balances and transactions with related parties, other than those disclosed under respective notes, during the year are as follows:

	2012			
	Key management personnel	Directors	Associates / subsidiaries	Other related parties
----- (Rupees in '000) -----				
<b>Advances</b>				
Balance at the beginning of the year	14,761	-	-	* 342,445
Disbursed during the year	5,650	-	-	3,382,793
Adjustment for outgoing party **	-	-	-	(418,017)
Repaid during the year	(4,071)	-	-	(2,838,471)
At 31 December 2012	<u>16,340</u>	<u>-</u>	<u>-</u>	<u>468,750</u>
<b>Deposits</b>				
Balance at the beginning of the year	9,321	-	-	260,008
Received during the year	169,886	-	-	907,410
Adjustment for outgoing party **	-	-	-	(216)
Withdrawals during the year	(167,792)	-	-	(1,123,852)
At 31 December 2012	<u>11,415</u>	<u>-</u>	<u>-</u>	<u>43,350</u>
Purchase of Government Securities	-	-	-	1,541,209
Sale of Government Securities	-	-	-	1,010,215
Mark-up receivable	8	-	-	15,468
Profit payable	55	-	-	1,483
<b>Year ended December 31, 2012</b>				
Mark-up / interest / profit / return earned	563	-	-	70,883
Mark-up / interest / profit / return expensed	582	-	-	4,324
Dividend received	-	-	-	82,475
Gain on sale of Government Securities	-	-	-	637

## Year ended December 31, 2012

Guarantee commission	-	-	-	1,875
Remuneration paid	89,597	-	-	-
Contribution to provident fund	3,357	-	-	-
Provision for gratuity	2,328	-	-	-
Other staff benefits	28,938	-	-	-
Directors' meeting fee	-	4,000	-	-
Interim dividend paid to Government of Sindh	-	-	-	600,000
Other receipts	-	-	-	980

\* This includes loan balance of an entity where more than 20% equity has been acquired by Government of Sindh during the year ended December 31, 2012.

\*\* Related Party relationship ended during the year due to resignation of common director from the Board of Sindh Bank.

Government of Sindh owns 100% shares of the Bank and transactions with the Government comprise of commodity financing amounting to Rs. 5.18 billion (note 10.3) and receipt of deposits amounting to Rs. 9.307 billion (note 15.2).

## 2011

	Key management personnel	Directors	Associates / subsidiaries	Other related parties
	----- (Rupees in '000) -----			
<b>Advances</b>				
Disbursed during the period	28,206	-	-	* 197,975
Adjustment for outgoing party	(12,000)	-	-	-
Repaid during the period	(1,445)	-	-	(18,298)
At 31 December 2011	<u>14,761</u>	<u>-</u>	<u>-</u>	<u>179,677</u>
<b>Deposits</b>				
Received during the period	67,655	-	-	** 520,010
Adjustment for outgoing party	(5,942)	-	-	-
Withdrawals during the period	(52,392)	-	-	(260,002)
At 31 December 2011	<u>9,321</u>	<u>-</u>	<u>-</u>	<u>260,008</u>
Repayment of liability to Government of Sindh	-	-	-	100,000
Sale of Government Securities	-	-	-	15,336,005
Mark-up receivable	-	-	-	* 7,429
Profit payable	85	-	-	-
Investments outstanding	-	-	-	* 558,747
Letter of Guarantee outstanding	-	-	-	** 823,228

## Period ended December 31, 2011

Mark-up / interest / return earned	763	-	-	* 13,771
Mark-up / interest / return expensed	227	-	-	-
Dividend received	-	-	-	* 62,456
(Loss) on sale of Government Securities	-	-	-	(2,926)
Remuneration paid	78,243	-	-	-
Contribution to provident fund	3,023	-	-	-
Provision for gratuity	2,038	-	-	-
Other staff benefits	6,928	-	-	-
Directors' meeting fee	-	3,350	-	-
Others	-	-	-	1,380

\* This represents transactions with entities in which one of the nominee director of the Bank is also a director, on behalf of National Investment Trust Limited (NIT).

\*\* This represents transaction with a wholly owned subsidiary of one of the entities in which one of the nominee director of the Bank is also a director, on behalf of National Investment Trust Limited (NIT).

### 37. CAPITAL ADEQUACY RATIO

37.1 The primary objective of the Bank's capital management is to ensure that the Bank complies with all regulatory capital requirements, to safeguard the Bank's ability to continue as a going concern and at the same time maintain strong credit rating and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank in line with the SBP guidelines has adopted the standardized approach for credit, market risk and basic indicator approach for operational risk.

#### 37.2 Regulatory capital structure

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

	2012 (Rupees in '000)	2011 (Rupees in '000)
<b>Tier I Capital</b>		
Fully paid up capital	10,000,000	10,000,000
Reserves as disclosed on the Statement of Financial Position	327,467	149,912
Un-appropriated profit	709,866	599,649
Deduction for book value of intangible assets	(66,709)	(43,713)
Deficit on revaluation of available-for-sale investments	-	(133,151)
<b>Total Tier I and Eligible Capital</b>	<b>10,970,624</b>	<b>10,572,697</b>
<b>Tier 2 Capital</b>		
General provisions	-	-
Revaluation reserve	34,652	-
<b>Total Tier II Capital</b>	<b>34,652</b>	<b>-</b>
<b>Eligible Tier 3 Capital</b>	<b>-</b>	<b>-</b>
<b>Total Regulatory Capital Base</b>	<b>11,005,276</b>	<b>10,572,697</b>

#### 37.3 Risk -Weighted Exposures

	2012		2011	
	Capital Requirements	Risk Weighted Assets	Capital Requirements	Risk Weighted Assets
	(Rupees in '000)		(Rupees in '000)	
<b>Credit Risk</b>				
Claims on:				
Corporate	1,409,417	14,094,171	795,332	7,953,318
Retail customers	56,995	569,948	4,322	43,219
Banks	238,845	2,388,454	389,131	3,891,314
Secured by residential property	3,053	30,529	2,364	23,637
Investment in fixed asset	149,010	1,490,095	54,034	540,341
All other assets	53,221	532,208	22,676	226,757
Equity exposure risk yield in the banking book	110,131	1,101,307	159,669	1,596,696
	<b>2,020,672</b>	<b>20,206,712</b>	<b>1,427,528</b>	<b>14,275,282</b>

#### Market Risk

	2012		2011	
	Capital Requirements	Risk Weighted Assets	Capital Requirements	Risk Weighted Assets
	(Rupees in '000)		(Rupees in '000)	
Interest rate risk	322,928	3,229,275	159,329	1,593,293
Equity position risk	151,228	1,512,275	-	-
Foreign exchange risk	2,105	21,050	2,215	22,148
<b>Total Market Risk</b>	<b>476,261</b>	<b>4,762,600</b>	<b>161,544</b>	<b>1,615,441</b>

#### Operational Risk

Capital Requirement for operational risks	361,169	3,611,688	289,656	2,896,556
<b>Total</b>	<b>2,858,102</b>	<b>28,581,000</b>	<b>1,878,728</b>	<b>18,787,279</b>

#### Capital Adequacy Ratio

Total eligible regulatory capital held	<b>11,005,276</b>	<b>10,572,697</b>
Total Risk Weighted Assets	<b>28,581,000</b>	<b>18,787,279</b>
Capital Adequacy Ratio - percent	<b>38.51%</b>	<b>56.28%</b>

#### Credit exposures subject to Standardized Approach

Exposure	2012 (Rupees in '000)			2011 (Rupees in '000)			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Cash and cash equivalents		664,857	-	664,857	152,114	-	152,114
Claims on GoP in PKR		7,054,769	-	7,054,769	2,506,748	-	2,506,748
Banks	2,3	4,205,678	-	4,205,678	7,327,277	-	7,327,277
Claims on Banks - three months or less	1,2,3	7,987	-	7,987	899	-	899
Claims on Banks - three months or less	4,5	1,971	-	1,971	345,758	-	345,758
Claims on Banks - three months or less	6	9,163	-	9,163	2,073,701	1,470,048	603,653
Claims on Banks - three months or less		1,176,435	-	1,176,435	-	-	-
Corporate	1	575,479	-	575,479	2,943,884	1,895,783	1,048,101
Corporate	2	1,100,413	58,802	1,041,611	-	-	-
Corporate	3,4	-	-	-	-	-	-
Corporate	5,6	-	-	-	-	-	-
Corporate		11,283,367	570,161	10,713,206	5,950,340	298,674	5,651,666
Retail		1,956,559	1,370,487	586,072	59,439	2,516	56,923
Secured by residential property		87,227	-	87,227	67,536	-	67,536
Listed equity investments		1,101,307	-	1,101,307	1,596,696	-	1,596,696
Investments in fixed assets		1,490,095	-	1,490,095	540,341	-	540,341
Other assets		532,208	-	532,208	226,757	-	226,757
		<b>31,247,515</b>	<b>1,999,450</b>	<b>29,248,065</b>	<b>23,791,490</b>	<b>3,667,021</b>	<b>20,124,469</b>

#### Types of exposure for which each agency is used:

Exposure	JCR-VIS	PACRA	FITCH	Moody
Corporate	√	√		
Banks	√	√	√	√

**38. RISK MANAGEMENT**

Under the Bank's risk management framework, the Board's Risk Management Committee (BRMC) is responsible for review and improvements of the risk policies of the Bank. On a management level, the Bank has set up a Risk Management Division (RMD) to identify, assess and monitor credit risk, market risk and operational risk in the activities of the Bank and take adequate measures to manage and control risks on timely basis.

**38.1 Credit risk**

Credit risk strives to maximize the Bank's risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of any banking organization.

The Bank's lending function will primarily be focused on small and medium sized secured loans in agriculture, SME and consumer products. Large corporate, commercial and industrial loans will be provided on selective basis whose policy will be subject to review as and when required.

Under RMD, the Credit Risk Management Department (CRMD) is responsible to ensure that credit risk stays within the parameters set by the Board, and to set up and monitor system parameters for identifying risks, monitoring of these risks and early warning systems. RMD monitors credit at the portfolio basis and reports to the CEO and the BRMC on a regular basis.

**38.2 Segments by class of business****38.2.1 Segment information**

Segmental information is presented below in respect of the class / nature of business and segment by distribution of Advances, Deposits & Contingencies.

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	16,579	0.05%	4,009	0.01%
Agribusiness	527,113	2.73%	872,641	2.77%	-	-
Manufacture of textile	9,991	0.05%	106,446	0.34%	98,901	0.18%
Cement	175,594	0.91%	-	-	1,319	0.00%
Transport, Storage and Communication	-	-	89,499	0.28%	21,169	0.04%
Importers / exporters	41,753	0.22%	229,168	0.73%	-	0.00%
Whole sale and retail trade	12,579	0.07%	951,426	3.02%	168,018	0.31%
Mining and quarrying	-	-	66,004	0.21%	3,000	-
Petroleum Products	580,804	3.01%	-	-	-	-
Manufacture of basic iron and steel	1,059,481	5.49%	52,894	0.17%	-	-
Sugar	7,022,746	36.42%	434,515	1.38%	343,467	0.63%
Shoes and leather garments	-	-	1,004	-	-	-
Automobile and transportation equipment	51,998	0.27%	-	-	4,051	0.01%
Financial	703,913	3.65%	140,540	0.45%	53,006,859	96.65%
Rice	-	-	48,870	0.16%	-	-
Construction	1,007,964	5.23%	850,642	2.70%	153,987	0.28%
Public Sector - Provincial	-	-	9,307,655	29.58%	-	-
Government Funds / Departments	-	-	-	-	-	-
Food	5,185,552	26.89%	-	-	-	-
Insurance	-	-	738	-	-	-
Power, Electric, Gas	939,319	4.87%	204,834	0.65%	900,701	1.64%
Education	-	-	720,367	2.29%	-	-
Individuals	1,568,385	8.13%	3,650,123	11.60%	-	-
Others	394,696	2.06%	13,725,707	43.62%	140,105	0.26%
<b>Total</b>	<b>19,281,888</b>	<b>100%</b>	<b>31,469,652</b>	<b>100%</b>	<b>54,845,586</b>	<b>100%</b>

	2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	104,835	0.45%	-	-
Agribusiness	55,925	0.77%	206,423	0.88%	-	-
Manufacture of textile	2,060	0.03%	12,204	0.05%	22,525	1.37%
Cement	179,677	2.48%	-	-	-	-
Importers / exporters	-	-	149,078	0.63%	-	-
Whole sale and retail trade	-	-	254,068	1.08%	67,018	4.09%
Mining and quarrying	-	-	110,087	0.47%	-	-
Manufacture of basic iron and steel	396,518	5.46%	4,389	0.02%	-	-
Sugar	3,900,676	53.73%	156,387	0.66%	404,770	24.67%
Financial	708,492	9.76%	53,772	0.23%	135,567	8.26%
Rice	-	-	6,390	0.03%	-	-
Construction	162,768	2.24%	173,319	0.74%	346	0.02%
Food	1,160,000	15.98%	-	-	-	-
Public Sector - Provincial	-	-	18,287,294	77.76%	-	-
Government Funds / Departments	-	-	-	-	-	-
Insurance	-	-	10,884	0.05%	-	-
Power, electric and gas	97,049	1.34%	263,283	1.12%	970,224	59.15%
Education	163	-	118,751	0.50%	-	-
Individuals	268,936	3.70%	710,429	3.02%	-	-
Others	327,066	4.51%	2,896,147	12.31%	39,960	2.44%
<b>Total</b>	<b>7,259,330</b>	<b>100%</b>	<b>23,517,740</b>	<b>100%</b>	<b>1,640,410</b>	<b>100%</b>

**38.2.2 Segment by Sector**

	2012					
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
	Percent	Percent	Percent	Percent	Percent	Percent
Public / Government	5,185,552	26.89%	18,369,140	58.37%	47,528,323	86.66%
Private	14,096,336	73.11%	13,100,512	41.63%	7,317,263	13.34%
<b>Total</b>	<b>19,281,888</b>	<b>100%</b>	<b>31,469,652</b>	<b>100%</b>	<b>54,845,586</b>	<b>100%</b>

	2011					
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
	Percent	Percent	Percent	Percent	Percent	Percent
Public / Government	1,160,000	15.98%	19,730,388	83.90%	1,846	0.11%
Private	6,099,330	84.02%	3,787,352	16.10%	1,638,564	99.89%
<b>Total</b>	<b>7,259,330</b>	<b>100%</b>	<b>23,517,740</b>	<b>100%</b>	<b>1,640,410</b>	<b>100%</b>

**38.2.3 Geographical Segment Analysis**

	2012			
	(Rupees in '000)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	1,286,427	92,291,099	11,088,188	54,845,586
2011				
(Rupees in '000)				
Pakistan	1,139,963	47,730,123	10,663,013	1,640,410

**38.3 Market risk**

Market Risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The market risk management organization in the Bank comprises of the Board of Directors, BRMC, Asset and Liability Committee (ALCO), RMD and within the RMD the Market and Asset Liability Risk Management Department.

## 38.3.1 Foreign exchange risk

Foreign exchange risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either in the form of a balance sheet asset or liability account, or off balance sheet item. Likewise foreign exchange settlement risk is the risk of loss when a bank in a foreign exchange transaction pays the currency it sold but does not receive the currency it bought. FX settlement failures can arise from counter party default, operational problems, market liquidity constraints and other factors.

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	91,592,444	79,784,528	(739,164)	11,068,752
United States Dollar	616,630	1,329,090	727,145	14,685
Great Britain Pound	43,706	43,998	5,610	5,318
Euro	37,278	45,295	6,409	(1,608)
Japanese Yen	1,041	-	-	1,041
	<b>92,291,099</b>	<b>81,202,911</b>	<b>-</b>	<b>11,088,188</b>
	----- (Rupees in '000) -----			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	47,421,399	36,737,988	1,138	10,684,549
United States Dollar	277,453	297,670	(1,177)	(21,394)
Great Britain Pound	17,901	17,975	39	(35)
Euro	13,370	13,477	-	(107)
	<b>47,730,123</b>	<b>37,067,110</b>	<b>-</b>	<b>10,663,013</b>

## 38.3.2 Equity position risk in the banking book

Equity position risk in trading book arises due to change in prices of shares or levels of equity indices.

The Bank's equity and mutual fund exposure is managed with the objective to be in the SBP limits for overall investment and per scrip exposure. In addition, there are internal limits for trading position as well as stop loss limits, dealer limits, future contracts limits and continuous funding system limits.

The composition of equity investments has been disclosed in note 9.1 to financial statements. Classification, policies, valuation and accounting of equity investments has been disclosed in note 5.4 to the financial statements.

## 38.3.3 Yield / interest rate risk

Interest rate risk reflects the degree of vulnerability of an organization to adverse changes in interest rates. Such risk taking is normal in financial institution and could be an important source of profit earning. However, excess interest rate risks might create a serious threat to a Bank's returns and capital base. ALCO, Treasury Division and RMD monitor the repricing / mismatch risks, basis risks, yield curve risks, and option risks on a continuous basis to minimize the interest rate risk.

## 38.3.4 Price risk

Price risk is the risk that the value of a security or portfolio of securities will decline in the future. It is the risk of losing money due to a fall in the market price of a security that the Bank owns. It results from changes in the value of marked-to-market financial instruments. Transactions in equity securities are subject to systematic and unsystematic risks. In order to counter these the BRMC has laid down the limits of various investments, Treasury Division and the RMD monitor all investments on a daily basis.

## 38.3.5 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching / re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

	Effective Yield / Interest rate	2012							Non-interest bearing financial instruments		
		Exposed to Yield / Interest risk			Non-interest bearing financial instruments						
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	Over 5 to 10 year	Above 10 years	
		----- (Rupees in '000) -----									
<b>Assets</b>											
Cash and balances with treasury banks	2,430,525	231,902	-	-	-	-	-	-	-	2,198,623	
Balances with other banks	424,573	424,473	-	-	-	-	-	-	-	100	
Lendings to financial institutions	12.33%	4,619,591	100,000	1,000,000	-	-	-	-	-	-	
Investments	11.98%	62,631,023	18,454,000	5,833,984	29,778,320	4,091,337	-	1,940,715	-	1,034,136	
Advances	13.48%	19,281,888	14,478,146	1,283,755	1,299,216	2,076,990	28,143	24,215	34,991	28,838	
Other assets	1,346,695	-	-	-	-	-	-	-	-	1,346,695	
		<b>90,734,295</b>	<b>37,108,112</b>	<b>7,217,739</b>	<b>32,077,536</b>	<b>6,168,327</b>	<b>28,143</b>	<b>24,215</b>	<b>1,975,706</b>	<b>28,838</b>	
<b>Liabilities</b>											
Bills payable	176,125	-	-	-	-	-	-	-	-	176,125	
Borrowings	48,602,402	48,318,082	84,320	200,000	-	-	-	-	-	-	
Deposits and other accounts	31,469,652	17,376,194	1,059,727	1,124,386	2,791,927	8,100	13,957	4,300	-	9,091,061	
Other liabilities	747,476	-	-	-	-	-	-	-	-	747,476	
		<b>80,995,655</b>	<b>65,694,276</b>	<b>1,144,047</b>	<b>1,124,386</b>	<b>2,991,927</b>	<b>8,100</b>	<b>13,957</b>	<b>4,300</b>	<b>10,014,662</b>	
<b>On-balance sheet gap</b>		<b>9,738,640</b>	<b>(28,586,164)</b>	<b>6,073,692</b>	<b>30,953,150</b>	<b>3,176,400</b>	<b>20,043</b>	<b>10,258</b>	<b>1,971,406</b>	<b>28,838</b>	
<b>Off-balance sheet financial instruments</b>											
Purchase and resale agreements	523,367	523,367	-	-	-	-	-	-	-	-	
Sale and repurchase agreements	47,674,384	47,674,384	-	-	-	-	-	-	-	-	
<b>Off-balance sheet gap</b>		<b>48,197,751</b>	<b>48,197,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<b>19,611,587</b>	<b>6,073,692</b>	<b>30,953,150</b>	<b>3,176,400</b>	<b>20,043</b>	<b>10,258</b>	<b>1,971,406</b>	<b>28,838</b>	<b>1,061,138</b>	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		<b>19,611,587</b>	<b>25,685,279</b>	<b>56,638,429</b>	<b>59,814,829</b>	<b>59,834,872</b>	<b>59,945,130</b>	<b>61,816,536</b>	<b>61,845,374</b>	<b>62,906,512</b>	
<b>Reconciliation with total assets:</b>											
Assets as per above	90,734,295										
Fixed assets	1,556,804										
Assets as per Statement of Financial Position	<b>92,291,099</b>										
<b>Reconciliation with total liabilities:</b>											
Liabilities as per above	80,995,655										
Deferred tax liability	207,256										
Liabilities as per Statement of Financial Position	<b>81,202,911</b>										

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk							Non-interest bearing financial instruments
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 to 3 year	Over 3 to 5 year	

On-balance sheet financial instruments

(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	5.00%	1,655,815	47,410	-	-	-	-	-	-	1,608,405
Balances with other banks	13.84%	243,519	30,293	-	-	-	-	-	-	213,226
Lendings to financial institutions	12.80%	10,905,410	6,803,531	1,851,879	1,750,000	500,000	-	-	-	-
Investments	13.71%	26,081,535	1,988,366	5,275,513	15,091,175	17,554,737	-	-	77,022	1,170,806
Advances	15.68%	7,259,330	6,790,635	762	20,150	203,114	4,616	4,774	9,002	24,542
Other assets		1,000,460	-	-	-	-	-	-	-	1,000,460
		47,146,069	15,660,235	7,128,154	1,966,241	18,257,851	4,616	4,774	9,002	24,542

**Liabilities**

Bills payable		42,251	-	-	-	-	-	-	-	42,251
Borrowings	12.47%	13,012,647	2,812,647	-	200,000	-	-	-	-	-
Deposits and other accounts	11.29%	23,517,740	17,826,832	424,183	37,083	1,857,284	-	100	4,300	3,372,958
Other liabilities		484,150	-	-	-	-	-	-	-	484,150
		37,056,788	30,639,479	424,183	232,083	1,857,284	-	100	4,300	3,859,359

**On-balance sheet gap**

		10,089,281	(14,979,244)	6,703,971	1,734,158	16,400,567	4,616	4,674	4,702	97,594	24,542
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**Off-balance sheet financial instruments**

Purchase and resale agreements		4,169,280	4,169,280	-	-	-	-	-	-	-	-
Sale and repurchase agreements		12,820,895	12,820,895	-	-	-	-	-	-	-	-
Off-balance sheet gap		16,990,175	16,990,175	-	-	-	-	-	-	-	-

**Total Yield / Interest Risk Sensitivity Gap**

		2,010,931	6,703,971	1,734,158	16,400,567	4,616	4,674	4,702	97,594	24,542	93,701
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**Cumulative Yield / Interest Risk Sensitivity Gap**

		2,010,931	8,714,902	10,449,060	26,849,627	26,854,243	26,858,917	26,863,619	26,961,213	26,985,755	27,079,456
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**Reconciliation with total assets:**

Assets as per above	47,146,069
Fixed assets	584,054
Assets as per Statement of Financial Position	47,730,123

**Reconciliation with total liabilities:**

Liabilities as per above	37,056,788
Deferred tax Liability	10,322
Liabilities as per Statement of Financial Position	37,067,110

**38.4**

**Liquidity risk**

Liquidity risk refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost (funding liquidity risk). Liquidity risk also arises due to the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price (market liquidity risk). Liquidity risk manifests in different dimensions, viz. funding risk, time risk and call risk. Liquidity risk arises from the uncertain nature of disbursements, uncertainty in collection of principal and profit shares, large financing requirement, embedded options and systemic reasons like tight liquidity conditions.

The BRMC has laid down policies to be followed to ensure proper availability of liquidity and ALCO monitors the liquidity position of the Bank on a regular basis. On a day to day basis the Treasury Division controls the liquidity of the Bank and it is monitored by the Market and Asset Liability Risk Management Department of the RMD.

**38.4.1**

**Maturity of assets and liabilities (based on contractual maturities)**

Total	2012							
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 to 3 year	Over 3 to 5 year	Over 5 to 10 year

<b>Assets</b>										
Cash and balances with treasury banks	2,430,525	-	-	-	-	-	-	-	-	
Balances with other banks	424,573	-	-	-	-	-	-	-	-	
Lendings to financial institutions	4,619,591	100,000	1,000,000	-	-	-	-	-	-	
Investments	62,631,023	19,952,530	5,735,137	29,486,711	4,119,411	36,470	16,652	1,974,626	275,350	
Advances	19,281,888	3,861,452	6,681,733	1,854,561	3,558,181	71,188	543,470	115,225	2,569,076	
Operating fixed assets	1,556,804	151,463	28,616	43,159	85,380	171,228	171,239	270,930	298,886	
Other assets	1,346,695	707,644	227,403	73,360	122,370	159,309	53,763	19	2,827	
	92,291,099	31,047,778	12,772,889	32,457,791	7,885,342	438,195	785,124	2,360,800	3,143,312	1,399,868

**Liabilities**

Bills payable	176,125	-	-	-	-	-	-	-	-	-
Borrowings	48,602,402	48,318,082	84,320	200,000	-	-	-	-	-	-
Deposits and other accounts	31,469,652	26,281,093	1,067,645	1,142,794	2,949,602	8,300	13,957	6,261	-	-
Deferred tax liability	207,256	207,256	-	-	-	-	-	-	-	-
Other liabilities	747,476	641,384	39,047	32,945	33,585	311	201	3	-	-
	81,202,911	75,623,940	1,191,012	1,175,739	3,183,187	8,611	14,158	6,264	-	-

**Gap**

	11,088,188	(44,576,162)	11,581,877	31,282,052	4,702,155	429,584	770,966	2,354,536	3,143,312	1,399,868
Share capital	10,000,000	-	-	-	-	-	-	-	-	-
Reserves	327,466	-	-	-	-	-	-	-	-	-
Unappropriated Profit	709,867	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	50,855	-	-	-	-	-	-	-	-	-
<b>Net Assets</b>	<b>11,088,188</b>									

2011

	2011									
	Total	up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	Over 5 to 10 year	Above 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	1,655,815	1,655,815	-	-	-	-	-	-	-	-
Balances with other banks	243,519	243,519	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,905,410	6,803,531	1,851,879	1,750,000	500,000	-	-	-	-	-
Investments	26,081,535	3,159,174	5,176,723	15,090	17,229,827	49,854	100,000	48,935	301,932	-
Advances	7,259,330	641,146	4,10,890	2,042,704	3,057,337	652,600	44,205	18,776	334,369	57,303
Operating fixed assets	584,054	13,722	13,915	20,986	41,516	83,259	83,266	120,101	97,010	110,279
Other assets	1,000,460	754,468	28,916	57,190	47,224	77,563	32,361	-	-	2,738
	47,730,123	13,271,375	7,482,323	3,885,970	20,875,904	863,276	259,832	187,812	733,311	170,320
<b>Liabilities</b>										
Bills payable	42,251	42,251	-	-	-	-	-	-	-	-
Borrowings	13,012,647	12,812,647	-	200,000	-	-	-	-	-	-
Deposits and other accounts	23,517,740	21,164,215	442,778	32,083	1,874,264	-	100	4,300	-	-
Deferred tax liability	10,322	10,322	-	-	-	-	-	-	-	-
Other liabilities	484,150	408,243	5,804	2,948	67,149	-	-	5	-	-
	37,067,110	34,437,678	448,582	235,031	1,941,413	-	101	4,305	-	-
<b>Gap</b>	10,663,013	(2,116,603)	7,033,741	3,650,939	18,934,491	863,276	259,731	183,507	733,311	170,320
Share capital	10,000,000									
Reserves	1,49,912									
Unappropriated Profit	599,649									
Deficit on revaluation of assets	(86,548)									
<b>Net Assets</b>	<u>10,663,013</u>									

38.4.2 Maturity of assets and liabilities (based on SBP BSD Circular No. 02 date February 22, 2011)

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	Over 5 to 10 year	Above 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	2,430,525	1,027,728	491,737	432,060	479,000	-	-	-	-	-
Balances with other banks	424,573	424,573	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,619,591	3,519,591	100,000	1,000,000	-	-	-	-	-	-
Investments	62,631,024	18,454,000	6,113,204	30,122,556	4,604,029	36,470	16,653	1,974,626	275,350	1,034,136
Advances	19,281,888	1,691,482	5,278,810	12,344	8,758,838	28,143	800,968	115,225	2,569,076	27,002
Operating fixed assets	1,556,804	151,463	28,616	43,159	85,380	171,228	171,239	270,930	298,886	335,903
Other assets	1,346,695	707,644	227,403	73,360	122,370	159,309	53,763	19	-	2,827
	92,291,100	25,976,481	12,239,770	31,683,479	14,049,617	395,150	1,042,623	2,360,800	3,143,312	1,399,868
<b>Liabilities</b>										
Bills payable	176,125	176,125	-	-	-	-	-	-	-	-
Borrowings	48,602,402	48,318,082	84,320	-	200,000	-	-	-	-	-
Deposits and other accounts	31,469,652	7,709,992	6,376,351	5,679,266	11,675,524	8,300	13,957	6,262	-	-
Deferred tax liability	207,256	20,726	20,726	20,726	41,451	51,814	51,813	-	-	-
Other liabilities	747,476	641,384	39,047	32,945	33,585	311	201	3	-	-
	81,202,911	56,866,309	6,520,444	5,732,937	11,950,560	60,425	65,971	6,265	-	-
<b>Gap</b>	11,088,189	(30,889,828)	5,719,326	25,950,542	2,099,057	334,725	976,652	2,354,535	3,143,312	1,399,868
Share capital	10,000,000									
Reserves	327,466									
Unappropriated Profit	709,867									
Surplus on revaluation of assets	50,855									
<b>Net Assets</b>	<u>11,088,188</u>									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on a criteria determined by ALCO of the Bank.

2011  
(Rupees in '000)

	Total	Up to one month	Over 1 month to 3 month	Over 3 month to 6 month	Over 6 month to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Above 10 year
<b>Assets</b>										
Cash and balances with treasury banks	1,655,815	632,387	245,751	180,380	597,297	-	-	-	-	-
Balances with other banks	243,519	243,519	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,905,410	6,803,531	1,851,879	1,750,000	500,000	-	-	-	-	-
Investments	26,081,535	1,988,366	5,459,899	515,541	17,617,008	49,854	100,000	48,935	301,932	-
Advances	7,259,330	643,585	409,769	1,609,966	4,191,006	6,702	7,253	14,002	352,504	24,543
Operating fixed assets	584,054	13,721	13,915	20,986	41,516	83,260	83,267	120,100	97,010	110,279
Other assets	1,000,460	754,468	28,916	57,190	47,225	77,563	32,361	-	-	2,737
	47,730,123	11,079,577	8,010,129	4,134,063	22,994,052	217,379	222,881	183,037	751,446	137,559
<b>Liabilities</b>										
Bills payable	42,251	42,251	-	-	-	-	-	-	-	-
Borrowings	13,012,647	12,812,647	-	200,000	-	-	-	-	-	-
Deposits and other accounts	23,517,740	21,164,215	442,778	32,083	1,874,264	-	100	4,300	-	-
Deferred tax liability	10,322	1,032	1,032	1,032	2,064	2,581	2,581	-	-	-
Other liabilities	484,150	408,243	5,804	2,947	67,150	-	-	5	-	-
	37,067,110	34,428,388	449,614	236,062	1,943,478	2,581	2,682	4,305	-	-
<b>Gap</b>	10,663,013	(23,348,811)	7,560,515	3,898,001	21,050,574	214,798	220,199	178,732	751,446	137,559
Share capital	10,000,000									
Reserves	149,912									
Unappropriated Profit	599,649									
Deficit on revaluation of assets	(86,548)									
Net Assets	10,663,013									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on a criteria determined by ALCO of the Bank.

### 38.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; this includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Department (ORMD) works under the RMD and its responsibilities include identifying, monitoring, measuring and managing operational risks assumed by the Bank. In adherence to industry best practice, the key functions of the ORMD are the operational risk policy and planning function, operational risk assessment function, operational risk measurement and analytics function and operational risk monitoring, mitigation and control function.

### 39. GENERAL

39.1 Figures have been rounded off to the nearest thousand rupee.

39.2 All comparative figures in profit & loss account are for the period from October 29, 2010 (the incorporation date of the Bank) to December 31, 2011.

39.3 As approved by the Board of Directors, an interim cash dividend of Rs. 0.60 per share was paid to the sole owner of the Bank i.e. Government of Sindh on July 05, 2012.


### 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on Feb 25, 2013.

  
President & Chief Executive Officer

  
Chairman of the Board

  
Director

  
Director

## NOTICE OF SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the Second Annual General Meeting of Sindh Bank Limited will be held on 25th March, 2013 at 11.00 am at the registered office of the Bank at Federation House, Clifton Karachi, to transact the following business:

## Ordinary Business

- 1- To confirm the minutes of the First Annual General meeting held on 7th April, 2012.
- 2- To receive, consider and adopt the Audited Accounts of the Bank for the year ended 31st December, 2012, together with Directors' and Auditors' Reports thereon and pass necessary Resolutions in this regard.
- 3- To ratify interim dividend @6% paid to the shareholders in July, 2012 as approved by the Board in its 16th Meeting.
- 4- To consider appointment of Auditors of the Bank for the year 2013 and fix their remuneration.

## Special Business

- 5- To grant post facto approval to the payment of remuneration fixed by the Board for the non-executive directors, in terms of SBP Prudential Regulations # G-1C(2).

A statement of material facts under section 160(1) (b) of the Companies Ordinance, 1984 relating to aforesaid special business to be transacted is appended below

- 6- Any other business with the permission of the chair.

By order of the Board.

Shamsuddin Khan  
Company Secretary  
Karachi - March 04, 2013

## NOTES:

All members are entitled to attend and vote at the Meeting.

- i- A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote.
- ii- The instrument of proxy and the power of attorney or other commission (if any) under which it is signed, or notorially certified copy of that power of attorney or authority to be effective must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the Meeting.
- iii- Members are advised to bring their National Identity Cards along with CD Participant ID and account number at the meeting venue
- iv- If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identify Cards/Authority Letter of the grantors and the signatures on the proxy form should be the same as that appearing on the National Identity Cards/Authority Letter.

The Share transfer books of the company will remain closed from 25.03.2013 to 31.03.2013 (both days inclusive). CDC Transaction IDs received in order at the at the Registered Office of the Company up to the close of business on 24th March, 2013 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting.

Members are required to notify immediate changes, if any, in their registered address.

## Statement under section 160(1)(b)

The meeting fee payable to the non-executive members of the Board was approved by the Board of Directors in term of Article 104 of the Articles of Association of the Bank. This meeting fee required approval of the shareholders in Annual General Meeting in terms of Regulation G-1(C-2) of Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan. The non-executive members of the Board are interested in the payment of fee and executive member of the Board has no interest in the matter.

## PATTERN OF SHAREHOLDINGS

Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares held
7	100	7
1	999,995,001	999,999,993
<b>8</b>		<b>1,000,000,00</b>

## PATTERN OF SHAREHOLDINGS UNDER CODE OF CORPORATE GOVERNANCE

Category No.	Categories of Shareholders	Number of Shares held	Category wise No. of share holders	(%)
1	Individuals	-	-	-
2	Investment Companies	-	-	-
3	Joint Stock Companies	-	-	-
4	Directors,		7	-
	Mr. Raja Muhammad Abbas			
	Mr. Malik Asrar Hussain			
	Mr. Arif Ahmed Khan			
	Mr. Wazir Ali Khoja			
	Mr. Muhammad Shahid Murtaza			
	Mr. Muhammad Naeem Sahgal			
	Mr. Muhammad Bilal Sheikh			
5	Executives	-	-	-
6	NIT / ICP	-	-	-
7	Associated Companies, undertakings and related parties	-	-	-
8	Banks, DFIs, NBFIs, Insurance companies, Modarabas & Mutual Funds	-	-	-
9	Foreign Investors	-	-	-
10	Co-operative Societies	-	-	-
11	Charitable Trusts	-	-	-
12	Others - Government of Sindh, through its Finance Department	999,999,993	1	100
	<b>Total</b>	<b>1,000,000,000</b>	<b>8</b>	<b>100</b>

## Shareholders holding ten percent or more voting interest in the listed company

Total Paid-up Capital of the company	1,000,000,000 shares
10% of the paid-up capital of the Company	100,000,000 shares
<b>Name(s) of Shareholder(s)</b>	<b>No. of Shares held</b> <b>Percentage (%)</b>
Government of Sindh, through its Finance Department	999,999,993 100







Notes: \_\_\_\_\_  
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## FORM OF PROXY

I/We \_\_\_\_\_ s/o \_\_\_\_\_, being member of **Sindh Bank Limited** and holding ordinary share as per CDC Participant ID & Account No. \_\_\_\_\_, do hereby appoint Mr \_\_\_\_\_ s/o \_\_\_\_\_ or failing him Mr \_\_\_\_\_ s/o \_\_\_\_\_ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 2nd Annual General Meeting of the Bank to be held on 25th March, 2013 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

1. Witness \_\_\_\_\_

Signature \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

Member's Signature  
on Rs.5.00  
Revenue Stamp

2. Witness \_\_\_\_\_

Signature \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

(Signature should agree with  
the specimen signature  
Registered with the Bank)

### NOTES:

1. A member entitled to attend and vote at the 2nd Annual General Meeting of the Bank may appoint another member as his/her/its proxy to attend and vote instead of his/her/its. The proxy shall have the right to attend, speak and vote in place of the member appointed him at the meeting.
2. The instrument appointing a proxy should be signed by the member(s) or by his/her/its Attorney, duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. The Proxy Form duly completed, must be deposited at the Bank's Registered Office at 3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi not less than 48 hours before the time of holding the meeting.
4. CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his/her/its own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his/her/its original CNIC or passport at the time of meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.