

Annual Report 2009



Passion Reborn

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Corporate Information

BOARD OF DIRECTORS

MR. SAFDAR JAVAID SYED	CHAIRMAN
MR. NAEEMUDDIN KHAN	PRESIDENT
MR. TARIQ MAHMOOD PASHA	DIRECTOR
MR. SHAFQAT ELLAHI	DIRECTOR
MR. AZHAR HAMID	DIRECTOR
MR. VIQAR AHMED KHAN	DIRECTOR
MR. SHAFQAT MAHMOOD	DIRECTOR
MR. M. NAVEED MASUD	DIRECTOR
MR. HAROON KHAWAJA	DIRECTOR
MR. FAROOQ AHMAD AWAN	DIRECTOR
MR. MUJTABA JAMAL CH.	DIRECTOR
MR. RAZA SAEED	SECRETARY TO THE BOARD

AUDIT COMMITTEE

MR. VIQAR AHMED KHAN	CHAIRMAN
MR. AZHAR HAMID	MEMBER
MR. M. NAVEED MASUD	MEMBER
MR. HAROON KHAWAJA	MEMBER

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

REGISTERED OFFICE:

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MAIN BOULEVARD, GULBERG-III,
LAHORE.
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WEBSITE:

www.bop.com.pk

REGISTRAR:

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WINGS ARCADE, 1-K, COMMERCIAL,
MODEL TOWN, LAHORE.
TELEPHONES: +92 - 042 - 35916714, 35839182, 35916719
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Vision Statement

To be a customer focused bank with service excellence.

Mission Statement

To exceed the expectation of our stakeholders by leveraging our relationship with the Government of Punjab and delivering a complete range of professional solutions with a focus on programme driven products and services in the agriculture and middle tier markets through a motivated team.

Core Values

Our customers	as our first priority
Profitability	for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed
Corporate Social Responsibility	to Enrich the Lives of community where we operate
Recognition and Reward	for the talented and high performing employees
Excellence	in every thing we do
Integrity	in all our dealings
Respect	for our customers and each other

Six Years at a Glance

	Criteria	2009	2008
BALANCE SHEET			
Total Assets	Rs in m	216,670	185,909
Advance (net)	Rs in m	121,316	131,731
Investments	Rs in m	57,960	22,712
Shareholders Equity	Rs in m	5,531	5,057
Revaluation Reserve	Rs in m	645	(1,313)
Deposits	Rs in m	190,858	164,073
Borrowings from FIs	Rs in m	14,040	12,279
OPERATING RESULTS			
Markup/ return/ interest earned	Rs in m	15,642	17,753
Markup/ return/ interest expenses	Rs in m	19,023	16,614
Net markup income	Rs in m	(3,381)	1,139
Non-markup based income	Rs in m	2,219	4,183
Non-markup based expenses	Rs in m	3,029	2,925
Provision against NPLs	Rs in m	9,242	18,864
Net profit/(Loss) before tax	Rs in m	(14,374)	(16,833)
Net profit/(Loss) after tax	Rs in m	(10,069)	(10,060)
OTHER INFORMATION			
EPS (Non dilutive)	Rs. Per share	(19.04)	(19.02)
Dividend - Cash	%	-	-
Dividend - Bonus issue-Interim	%	-	-
- Bonus issue-Final	%	-	-
No. of branches	No.	272	272
Staff Strength	No.	4,279	4,156

2007	2006	2005	2004
234,974	164,855	111,154	66,320
133,894	101,320	63,624	39,439
73,462	28,233	18,026	16,198
15,110	10,659	6,777	4,420
3,885	5,467	6,893	3,419
191,969	137,728	88,465	54,724
17,843	6,989	6,791	2,832
17,539	11,579	6,125	2,555
13,939	7,509	2,669	719
3,600	4,070	3,456	1,836
5,423	2,954	1,331	1,097
2,289	1,882	1,291	1,150
1,888	374	331	47
4,846	4,769	3,165	1,736
4,446	3,804	2,353	1,368
10.51	13.14	10.01	9.08
-	-	-	-
10.00	-	30.00	20.00
25.00	32.50	22.00	20.00
272	266	266	253
3,859	3,681	3,430	3,144

Credit Rating

Entity Ratings by PACRA

Long Term	AA-
Short Term	A1+

Rating Definition:

Long Term Rating:

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

Short Term Rating:

A1+: Obligations supported by the highest capacity for timely repayment.

Economic Review

The economy of the country remained under immense stress during FY09 due to floods, persisting energy crises, turmoil in global financial market, inability to finance fiscal & current account deficit and deteriorating law and order situation due to prolonged war on terror being fought at the North West frontier of the country.

In the above circumstances, the GDP grew by 2.0% in FY09 as compared to 4.1% growth in FY08. During the FY09, a major break-through has been made in shape of agreement between the federal and provincial governments on the Seventh National Finance Commission (NFC) Award. This will result into availability of better liquidity to the provinces for meeting developmental and other expenses. It is hoped that the 7th NFC award will result into development and generate economic activity in the lesser developed areas of the provinces.

The foreign exchange reserves of the country crossed the level of USD 15 billion by the end of the year 2009. The trade deficit of the country declined significantly mainly due to 23 percent year on year fall in the import bill although exports continued to decline. The decrease in imports was a result of reduced demand, improved domestic production of some commodities and a decline in international commodity prices.

The high inflation remained the top concern for the economic growth of the country during the year 2009. However, it has been positive to note that the inflation rate stood at 10.70% in the month of August 2009, lowest in last twenty months.

The banking sector of the country also remained under pressure in the year 2009. The growth in deposits of the Banking system has been weakening since January 2008 in the wake of continued external account pressures and shift in public preference away from deposits due to high inflation. At the close of FY09, the Scheduled Bank's Deposits stood at Rs. 4,201 billion as against Rs.3,862 billion at the close of FY08. The Scheduled Banks Advances remained at Rs.3,266 billion as against Rs.2,996 billion at the close of FY08.

Credit to government for commodity operations recorded an exceptional rise during FY09. Growth in credit to PSEs increased sharply during most of FY09, mainly due to credit requirements of energy sector on account of delay in settlement of oil price differential claims on the government.

Owing to poor economic conditions and non-conducive business environment, Asset Quality of Banks significantly deteriorated. The Banking Sector NPLs touched the level of Rs. 398 billion at the close of FY09. Moreover, risk averseness of Banks in the wake of rising NPLs slowed down the credit growth and the Banking Sector remained focused on investment in Government Securities, which touched the level of Rs. 947 billion as against Rs. 742 billion at the end of FY08.

In September 2008, SBP introduced measures to strengthen solvency of the banking system. Specifically, banks were required to increase minimum paid up capital (MCR) gradually to Rs 23 billion by 2013. At the same time, benchmark for capital adequacy ratio (CAR) was enhanced to 10 percent which was to be achieved by end-December 2008.

However, given the slowdown in domestic economy, which was expected to adversely affect performance of the domestic banking system, and global financial crisis, posing difficulties for banks intending to access international financial markets for raising capital, SBP in April 2009 softened the capital requirements. Specifically the future increases in MCR were revised downward and benchmark for CAR for December 2008 was reduced to 9 percent. This rationalization of MCR and the time period in which it needs to be implemented is likely to provide a breathing space to the banking industry in present difficult conditions, foster competition and a level playing field in the industry.

Directors' Report

On behalf of the Board of Directors, I am pleased to present the 20th Annual Report of The Bank of Punjab along with the audited financial statements and Auditor's Report thereon, for the year ended December 31, 2009.

Performance at a glance:

During the year 2009, the Bank has been passing through a restructuring phase initiated in 2008 to improve and strengthen the functioning of the Bank. Accordingly, corrective measures were taken by the Management, duly supported by Government of the Punjab and State Bank of Pakistan, in all areas of operation and the Bank was successful in regaining the confidence of its customers.

During the year 2009, the Bank registered significant growth in deposits which touched the level of Rs. 190.9 billion as against Rs.164.1 billion as on December 31, 2008.

The improvement in Deposit base was mostly channelized towards Govt. Securities and accordingly the Investments touched the level of Rs.58.0 billion showing a rise of Rs.35.3 billion during the year.

The management kept focus on consolidation of the Advances portfolio of the Bank, which had deteriorated due to imprudent lending by previous management and economic recession. The Gross Advances remained at the level of Rs. 151.5 billion as against Rs. 153.2 billion as on December 31, 2008. However, the NPLs touched the level of Rs.77.3 billion, necessitating further charge of Rs. 9.2 billion to Provision against NPLs for the year 2009.

However, as at the close of the year 2009, net advances aggregating to Rs.27.8 billion requiring additional provision of Rs.21.0 billion there-against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by State Bank of Pakistan.

The above relaxation in provisioning requirement is against undertaking of the GOPb, being the majority shareholder, to inject necessary capital to cover the shortfall in regulatory capital, if any, in case certain loans require provisioning as explained in Note 1.2 of the financial statements. However, the management is hopeful that additional funding by the GOPb will not be required as due strategies for recovery/regularization of these

advances have been framed and implemented.

In addition, in terms of letters of comfort issued in this regard, the GOPb, being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

The deterioration in Advances Portfolio, as mentioned above, adversely affected the Mark-up Income of the Bank and the Net Interest Margin (NIM), accordingly, remained Rs. (3.4) billion as against Rs. 1.1 billion during 2008.

The Non-interest/Mark-up Income of the Bank also decreased to Rs. 2.2 billion as against Rs. 4.2 billion during 2008, mainly on account of Dividend Income and Gain on Sale of Securities realized during 2008.

The Administrative Expenses, depicting general inflationary effect, remained at the level of Rs.3.0 billion as against Rs.2.8 billion during 2008.

During the year, the Bank suffered an After Tax Loss of Rs. (10.1) billion.

Financial Highlights

	Rs. In thousand
Loss before taxation	(14,373,920)
Taxation	4,304,915
Loss after taxation	(10,069,005)
Accumulated Loss b/f	(7,658,686)
Transfer from Statutory Reserve	2,894,000
Transfer from General Reserve	4,495,350
Transfer from surplus on revaluation of fixed assets (net of tax)	7,502
Accumulated Loss c/f	(10,330,839)
Loss per share-Rupees	(19.04)

Capital Adequacy and Minimum Capital Requirements

As at close of the year, paid-up capital, reserves (net of losses) and advance subscription money of the Bank

stood at Rs.5.5 billion, as against the minimum regulatory capital requirement of Rs.6.0 billion. The Capital Adequacy Ratio (CAR) remained at a level of 3.87% against the prescribed level of 10%.

In order to provide capital support to the Bank, subsequent to the year-end, the Government of Punjab (GOPb), being the majority shareholder, deposited Rs.7.0 billion in addition to Rs.10.0 billion deposited as advance subscription money during the year 2009 against future issue of shares by the Bank. Further, the GOPb has also undertaken to inject necessary capital to cover the shortfall in regulatory capital, if any, in case provisioning against certain loans is required, as explained earlier.

Accordingly, the State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012.

Credit Rating

M/s Pakistan Credit Rating Agency (PACRA) has assigned long term credit rating of AA- and short term credit rating of A1+.

As per standard rating scale and definition "AA" long term rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments not significantly vulnerable to foreseeable events. Similarly, "A1+" short term rating denotes obligations supported by the highest capacity for timely repayment.

Statement of Internal Controls

The Board of Directors (the "Board") of the Bank has overall responsibility to supervise maintaining a sound system of internal controls that is designed to manage the Bank's risks within an acceptable risk profile. The Board has delegated certain responsibilities to its subcommittees and these committees have the authority to examine particular issues and revert to the Board with their recommendations. The Management assists the Board in implementation of the policies and procedures on risk and control by identifying and assessing the risks faced in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Management of the Bank is fully conscious of its responsibility for establishing and maintaining an adequate system of internal control, implementing strategies and policies approved by the Board through appropriate organizational structure, processes and procedures designed to provide reasonable assurance as to the integrity and reliability of controls and information generated therefrom and for monitoring and evaluating the adequacy & effectiveness of the system to achieve;

- Efficiency and effectiveness of the operations;
- Reliability, completeness and timeliness of financial and management information;
- Compliance with policies, procedures, regulations and laws.

In 2009 the Bank as its top priority, set to implement State Bank of Pakistan (the "SBP") Guidelines on Internal Controls to place an effective internal control system. The Bank's Internal Control System is being aligned with internationally accepted internal control principles and the framework developed by Committee of Sponsoring Organizations of the Treadway Commission (the "COSO" Framework on Internal Controls) with the assistance of a reputed advisory firm. Within the Bank, Compliance & Internal Control Division (the "C&ICD") was assigned the overall responsibility for managing this activity and implementing SBP internal control regulations in full. So far, the Bank has completed three stages of Guidelines on Internal Controls and accordingly has documented existing processes and controls (AS-IS documentation) and after identification / reviewing the gaps, is in process of developing detailed implementation plan to rectify these gaps.

The C&ICD is also entrusted with the responsibility of expediting rectification of irregularities and control lapses in branches' operations and various controlling offices / Divisions pointed out by Audit & RAR Group (the "Audit Group"), SBP and Bank's External Auditors and to ensure implementation of control design improvements. Vigorous efforts are being made by the C&ICD to improve the Control Environment at grass root level by continuous review and streamlining of procedures to prevent and rectify control lapses as well as imparting training at various levels. The C&ICD is responsible to ensure adherence to the regulatory requirements and Bank's internal policies and procedures, with specific emphasis on KYC/AML. The C&ICD is being further strengthened for remediation of internal control deficiencies, implementing remaining stages of SBP road map and

maintaining the system on an ongoing basis. The other stages of the SBP roadmap will be completed during the Year 2012.

The Audit Group, independent from Management, is entrusted with the function to review and assess adequacy and effectiveness of the control activities across the bank as well as to ensure implementation of and compliance with all the prescribed policies and procedures of internal controls. Audit Group evaluates, validates, monitors and contributes to ongoing effectiveness of control systems as part of its scope. All significant and material findings of Audit Group's reviews are being reported to Central Audit Committee (the "CAC") of the Board regularly. The CAC actively monitors implementations to ensure that identified risks are being mitigated to safeguard interests of the bank.

As system of Internal Control is designed to manage risks within an acceptable level to achieve the Bank's strategies, aims and business objectives rather than to eliminate the risk of failure, it can, therefore, only provide reasonable and not absolute assurance against material misstatement of management and financial information. The system of internal control followed by the Bank is considered to be adequate and sound in design and is being effectively implemented and monitored.

Risk Management Framework

The effective Risk Management function is fundamental to the business of banking and is very essential element for banking operations. This function ideally facilitates the identification, mitigation and management of risks which may impede the Bank's achievement of its strategic objectives.

Accordingly, the Management has introduced a holistic approach towards implementation of effective risk management framework and has been engaged in extensive and detailed evaluation and assessment of risk management framework in all areas of banking operations.

The Board of Directors of the Bank is primarily responsible for laying down risk parameters and establishing an integrated risk management and control system. The Bank's Board approves Risk Management policies and also sets out exposure limits taking into account the risk appetite of the Bank and the skills available for managing the risks. Board of Directors is supported by

"Board Risk Management Committee" in this respect.

The credit risk mechanism consists of policies and practices that ensure credit risk is measured and monitored both at account and portfolio levels. The Credit Policy Manual addresses the Credit Risk related to lending. Credit Approving Authority, Prudential Exposure Limits, Risk Rating System, Risk Based Pricing, Portfolio Management are the various instruments for management of Credit Risk.

Bank has standardized and well-defined approval processes for all credit proposals to minimize the credit risk associated with them. Bank has set up Credit Approval Grids at Regional Offices and Head Office. The Bank has also developed credit rating models. Entire credit portfolio of the bank is subject to internal credit rating. The Bank continuously monitors portfolio concentrations by borrower, groups, industry, geography, etc and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry types and geography.

The overall responsibility of managing the market risk rests with the Market Risk Management Committee (MRMC). The Committee meets regularly and decides on the size, mix, tenor, pricing and composition of various assets and liabilities. It primarily does identification, measurement, monitoring and management of liquidity and interest rate risks. It uses tools such as Ratio analysis, Gap analysis, Interest Rate Sensitivity, Value At Risk etc. for management of liquidity and interest rate risks.

Comprehensive systems and procedures, internal control system and audit are used as primary means for managing Operational Risk. All new products introduced by the Bank pass through an Approval Process to identify and address operational risk issues.

Statement of compliance with Corporate and Financial Reporting Framework

The Directors are pleased to give the following statement in respect of Code of Corporate Governance:

- The financial statements, together with notes thereon have been prepared in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. These Statements present fairly state of affairs, the

result of its operations, cash flows and changes in equity and comprehensive income. Proper books of account of the Bank have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting and Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed in the Annual Accounts. The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements
- Value of investment of Staff Provident Fund Scheme (approved), based on latest audited accounts is Rs. 477,754 (thousand).
- Statement showing pattern of shareholding as on December 31, 2009 is included in this report.
- During the year under review, Bank has suffered loss because of abnormal rise in NPLs.
- Statement showing key operating and financial data for the last six years is disclosed on page 4 of the annual report.
- Statement of compliance with code of corporate governance is presented at page no 12 of the annual report.
- During the year 11 meetings were held with following attendance:

Name of Director	No. of Board meetings attended	Resigned/Terminated/Replaced
Mr. Safdar Javaid Syed	11	
Mr. Naeemuddin Khan	11	
Mr. Tariq Mahmood Pasha	11	
Mr. Azhar Hamid	8	
Mr. Shafqat Ellahi	8	
Mr. M. Naveed Masud	11	
Mr. Shafqat Mahmood	4	
Mr. Viqar A.Khan	9	
Mr. Haroon Khawaja	6	
Mr. Farooq Ahmed Awan	3	
Mr. Mujtaba Jamal Ch.	4	

Punjab Modarba Services (Pvt) Ltd.

Punjab Modaraba Services (Pvt) Limited, Bank's wholly owned subsidiary, is effectively managing First Punjab Modaraba. The net assets of the subsidiary stood at Rs.123.7 million as at the year end as against Rs.149.4 million of December 31, 2008.

Auditors

The term of the auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants was expiring and the Board of Directors recommended M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as statutory auditors for the year 2010.

Acknowledgement

In the end, we wish to acknowledge and appreciate the guidance and support from Government of Punjab and the State Bank of Pakistan. We are grateful to our valued customers and respected shareholders for their support, trust and confidence reposed in us. We also wish to thank all our employees for their dedicated work and contribution towards growth.

Ghafoor Mirza
Chairman

Statement of Compliance with best practice of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan also contained in Listing Regulations of all Stock Exchanges in Pakistan where the shares of the Bank are listed, for the purpose of establishing a framework of good governance, ensuring compliance with the best practices of corporate governance.

The Bank of Punjab (the Bank) has applied the principles contained in the Code in the following manner:

- 1) The Bank encourages representation of non-executive directors on its Board. As on December 31, 2009, the Board includes 9 non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Bank.
- 3) All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) The Bank has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Bank.
- 5) a) The Board has developed a mission statement and an overall corporate strategy.
b) The Board has developed significant policies of the Bank and a complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6) All the powers of the Board of Directors of the Bank have been duly exercised and decisions on material transactions have been taken by the Board.
- 7) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except in circumstances where emergent meetings are called or where time frames does not allow to serve notice / agenda to meet seven days requirement. The minutes of the meetings were appropriately recorded and circulated.
- 8) The Board has appropriate arrangements in place for orientation of its directors to apprise them of their duties and responsibilities.
- 9) The officer having position of CFO was appointed prior to the implementation of the Code of Corporate Governance.
- 10) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 11) The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
- 12) The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- 13) The Audit Committee has 4 members as on December 31, 2009, comprising of 4 non-executive directors including Chairman of the Committee.
- 14) During the year 2009, 6 meetings of the Audit Committee were held.
- 15) The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the internal audit function on a full time basis.
- 16) 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18) All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions have been duly reviewed and approved by Audit Committee and Board of Directors on March 29, 2012.
- 19) We confirm that all other material principles contained in the Code have been complied with except for the following, where the corresponding provision(s) of The Bank of Punjab Act 1989 have been complied.

Reference Clauses from Code of Corporate Governance

vi)

The tenure of office of Directors shall be 3 years. Any casual vacancy in the Board of Directors of a listed company shall be filled up by the Directors within 30 days thereof.

viii(e)

Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors of the listed company are determined and approved by the Board of Directors

ix)

The Chairman of a listed Company shall preferably be elected from among the non-executive directors of the listed company. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and the Chief Executive, whether or not these offices are held by separate individuals or the same individual.

xv)

The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit shall be determined by the CEO with the approval of the Board.

xxv)

The Company Secretary of a listed company shall furnish a Secretarial Compliance Certificate, in the prescribed form, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies' Ordinance 1984 have been duly complied with.

Corresponding Provisions of The Bank of Punjab Act – 1989

Section 14

A Director appointed by the Government, other than President, shall hold office during the pleasure of Government.

Section 15(1)

Where a vacancy occurs in the office of a Director appointed by the Government, the vacancy shall be filled only by appointment by the Government.

Section 11(1)

The President shall be appointed by the Government for a period of five years and on such salary and terms and conditions of service as the Government may determine. Further in terms of section 11(3) President shall be the Chief Executive Officer of the Bank.

Section 10(2)

The Chairman of the Board shall be nominated by the Government from amongst the official Directors.

Further, in terms of section 10(3), the Chairman shall preside over the meetings of the Board and shall have a Casting Vote but he shall not exercise any executive authority or powers."

In terms of clause 25 of the Bye-Laws of The Bank of Punjab, the Board of Directors is authorized/empowered to employ appoint and engage such officers and other employees of different categories as it may deem necessary. The terms and conditions of service of the Bank's staff are to be determined by the Board in consultation with the Government of the Punjab.

Section 1 – A

The Bank of Punjab Act shall have effect notwithstanding anything contained in any other law for the time being in force. Accordingly the Bank is not required to file any return with the Registrar of companies.

For and on behalf of the Board

Naeemuddin Khan
President

Auditors Review Report to Members on

Statement of Compliance with best practice of Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2009 prepared by the Board of Directors of The Bank of Punjab (the Bank) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, 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 inquiry 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, the Bank's corporate governance, procedures and risks.

Further, the Listing Regulations require the Bank to place before the Board of Directors for its consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only 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 carried out any procedure 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Bank for the year ended 31 December 2009.

Lahore:
March 29, 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Pattern of Shareholding of Shares

AS ON 31-12-2009

No. of Shareholders			-----Shareholding-----				Total Shares Held			Percentage
Physical	CDC	Total	From	To		Physical	CDC	Total		
1038	2391	3429	FROM	1	TO	100	37,766	110,688	148,454	0.0282
1541	3334	4875	FROM	101	TO	500	404,600	1,120,426	1,525,026	0.2900
680	2685	3365	FROM	501	TO	1000	506,618	2,302,615	2,809,233	0.5343
981	5107	6088	FROM	1001	TO	5000	1,968,243	12,936,880	14,905,123	2.8348
155	1147	1302	FROM	5001	TO	10000	1,050,952	8,786,287	9,837,239	1.8709
55	403	458	FROM	10001	TO	15000	663,512	5,063,169	5,726,681	1.0891
46	216	262	FROM	15001	TO	20000	806,656	3,910,786	4,717,442	0.8972
20	151	171	FROM	20001	TO	25000	441,814	3,465,878	3,907,692	0.7432
75	77	152	FROM	25001	TO	30000	1,972,767	2,130,352	4,103,119	0.7804
8	65	73	FROM	30001	TO	35000	254,755	2,109,306	2,364,061	0.4496
3	54	57	FROM	35001	TO	40000	112,606	2,063,553	2,176,159	0.4139
4	35	39	FROM	40001	TO	45000	171,037	1,482,101	1,653,138	0.3144
0	53	53	FROM	45001	TO	50000	-	2,592,425	2,592,425	0.4930
3	21	24	FROM	50001	TO	55000	153,750	1,090,028	1,243,778	0.2366
2	19	21	FROM	55001	TO	60000	113,377	1,102,890	1,216,267	0.2313
0	13	13	FROM	60001	TO	65000	-	816,354	816,354	0.1553
0	12	12	FROM	65001	TO	70000	-	822,130	822,130	0.1564
1	15	16	FROM	70001	TO	75000	74,803	1,095,543	1,170,346	0.2226
1	13	14	FROM	75001	TO	80000	79,262	1,009,252	1,088,514	0.2070
0	10	10	FROM	80001	TO	85000	-	829,134	829,134	0.1577
0	11	11	FROM	85001	TO	90000	-	959,996	959,996	0.1826
1	13	14	FROM	90001	TO	95000	91,457	1,204,599	1,296,056	0.2465
0	19	19	FROM	95001	TO	100000	-	1,888,335	1,888,335	0.3591
0	8	8	FROM	100001	TO	105000	-	821,814	821,814	0.1563
0	10	10	FROM	105001	TO	110000	-	1,077,069	1,077,069	0.2048
1	4	5	FROM	110001	TO	115000	114,528	451,300	565,828	0.1076
0	3	3	FROM	115001	TO	120000	-	357,000	357,000	0.0679
0	7	7	FROM	120001	TO	125000	-	865,770	865,770	0.1647
1	3	4	FROM	125001	TO	130000	127,706	385,501	513,207	0.0976
0	6	6	FROM	130001	TO	135000	-	794,724	794,724	0.1511
0	2	2	FROM	135001	TO	140000	-	274,249	274,249	0.0522
0	3	3	FROM	140001	TO	145000	-	424,561	424,561	0.0807
0	4	4	FROM	145001	TO	150000	-	597,598	597,598	0.1137
0	2	2	FROM	150001	TO	155000	-	304,974	304,974	0.0580
0	1	1	FROM	155001	TO	160000	-	157,500	157,500	0.0300
0	2	2	FROM	160001	TO	165000	-	326,597	326,597	0.0621
0	1	1	FROM	165001	TO	170000	-	170,000	170,000	0.0323
0	3	3	FROM	170001	TO	175000	-	521,071	521,071	0.0991
0	1	1	FROM	175001	TO	180000	-	175,404	175,404	0.0334
0	1	1	FROM	180001	TO	185000	-	180,397	180,397	0.0343
1	3	4	FROM	185001	TO	190000	189,640	564,483	754,123	0.1434
0	2	2	FROM	190001	TO	195000	-	381,822	381,822	0.0726
0	4	4	FROM	195001	TO	200000	-	797,500	797,500	0.1517
0	2	2	FROM	200001	TO	205000	-	406,086	406,086	0.0772
0	2	2	FROM	205001	TO	210000	-	415,250	415,250	0.0790
0	1	1	FROM	210001	TO	215000	-	214,700	214,700	0.0408
0	2	2	FROM	215001	TO	220000	-	438,612	438,612	0.0834
0	5	5	FROM	220001	TO	225000	-	1,120,285	1,120,285	0.2131
0	1	1	FROM	225001	TO	230000	-	228,713	228,713	0.0435
0	5	5	FROM	240001	TO	245000	-	1,216,615	1,216,615	0.2314
0	4	4	FROM	245001	TO	250000	-	991,991	991,991	0.1887
0	1	1	FROM	255001	TO	260000	-	260,000	260,000	0.0494
0	1	1	FROM	270001	TO	275000	-	272,000	272,000	0.0517
0	3	3	FROM	275001	TO	280000	-	830,764	830,764	0.1580
0	1	1	FROM	280001	TO	285000	-	283,000	283,000	0.0538

No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage
Physical	CDC	Total	From	To	Physical	CDC	Total		
0	1	1	FROM 290001	TO 295000	-	294,999	294,999	0.0561	
0	4	4	FROM 295001	TO 300000	-	1,200,000	1,200,000	0.2282	
0	3	3	FROM 305001	TO 310000	-	922,362	922,362	0.1754	
0	1	1	FROM 310001	TO 315000	-	313,455	313,455	0.0596	
0	1	1	FROM 315001	TO 320000	-	318,598	318,598	0.0606	
0	1	1	FROM 325001	TO 330000	-	330,000	330,000	0.0628	
0	1	1	FROM 335001	TO 340000	-	337,312	337,312	0.0642	
0	1	1	FROM 355001	TO 360000	-	357,922	357,922	0.0681	
0	1	1	FROM 365001	TO 370000	-	365,870	365,870	0.0696	
0	2	2	FROM 395001	TO 400000	-	790,313	790,313	0.1503	
0	1	1	FROM 400001	TO 405000	-	400,499	400,499	0.0762	
0	1	1	FROM 420001	TO 425000	-	422,579	422,579	0.0804	
0	1	1	FROM 425001	TO 430000	-	427,000	427,000	0.0812	
0	2	2	FROM 430001	TO 435000	-	866,914	866,914	0.1649	
0	1	1	FROM 445001	TO 450000	-	450,000	450,000	0.0856	
0	1	1	FROM 475001	TO 480000	-	476,343	476,343	0.0906	
0	1	1	FROM 485001	TO 490000	-	487,364	487,364	0.0927	
0	1	1	FROM 490001	TO 495000	-	493,002	493,002	0.0938	
0	2	2	FROM 495001	TO 500000	-	996,280	996,280	0.1895	
0	1	1	FROM 515001	TO 520000	-	519,816	519,816	0.0989	
0	1	1	FROM 540001	TO 545000	-	542,093	542,093	0.1031	
0	1	1	FROM 585001	TO 590000	-	586,900	586,900	0.1116	
0	1	1	FROM 595001	TO 600000	-	600,000	600,000	0.1141	
0	1	1	FROM 645001	TO 650000	-	647,400	647,400	0.1231	
0	1	1	FROM 660001	TO 665000	-	665,000	665,000	0.1265	
0	1	1	FROM 665001	TO 670000	-	666,522	666,522	0.1268	
0	1	1	FROM 670001	TO 675000	-	673,936	673,936	0.1282	
0	1	1	FROM 685001	TO 690000	-	688,670	688,670	0.1310	
0	1	1	FROM 690001	TO 695000	-	694,784	694,784	0.1321	
0	2	2	FROM 755001	TO 760000	-	1,515,885	1,515,885	0.2883	
0	1	1	FROM 800001	TO 805000	-	802,500	802,500	0.1526	
0	1	1	FROM 840001	TO 845000	-	842,612	842,612	0.1603	
0	1	1	FROM 855001	TO 860000	-	858,305	858,305	0.1632	
0	1	1	FROM 940001	TO 945000	-	942,298	942,298	0.1792	
0	1	1	FROM 945001	TO 950000	-	950,000	950,000	0.1807	
0	1	1	FROM 970001	TO 975000	-	970,389	970,389	0.1846	
0	1	1	FROM 1115001	TO 1120000	-	1,115,555	1,115,555	0.2122	
0	1	1	FROM 1350001	TO 1355000	-	1,350,437	1,350,437	0.2568	
0	1	1	FROM 1570001	TO 1575000	-	1,575,000	1,575,000	0.2995	
0	1	1	FROM 1665001	TO 1670000	-	1,666,336	1,666,336	0.3169	
0	1	1	FROM 1825001	TO 1830000	-	1,826,345	1,826,345	0.3473	
0	1	1	FROM 1885001	TO 1890000	-	1,886,493	1,886,493	0.3588	
0	1	1	FROM 1925001	TO 1930000	-	1,929,107	1,929,107	0.3669	
0	1	1	FROM 2470001	TO 2475000	-	2,472,817	2,472,817	0.4703	
0	1	1	FROM 3120001	TO 3125000	-	3,120,227	3,120,227	0.5934	
0	1	1	FROM 4405001	TO 4410000	-	4,406,088	4,406,088	0.8380	
0	1	1	FROM 6420001	TO 6425000	-	6,423,100	6,423,100	1.2216	
0	1	1	FROM 8925001	TO 8930000	-	8,928,383	8,928,383	1.6981	
0	1	1	FROM 11995001	TO 12000000	-	12,000,000	12,000,000	2.2822	
0	1	1	FROM 15675001	TO 15680000	-	15,679,213	15,679,213	2.9820	
0	1	1	FROM 16080001	TO 16085000	-	16,080,300	16,080,300	3.0583	
0	1	1	FROM 70695001	TO 70700000	-	70,697,465	70,697,465	13.4458	
1	0	1	FROM 269685001	TO 269690000	269,686,662	-	269,686,662	51.2910	
4618	16023	20641			279,022,511	249,774,865	528,797,376	100.0000	

Categories of Shareholders

As on 31-12-2009

Shareholder Category	No. of Shareholders			Total No. of Shares Held			%Age
	Physical	CDC	Total	Physical	CDC	Total	
DIRECTORS	1	2	3	2,500	5,000	7,500	0.0014%
PROVINCIAL GOVERNMENT	1	0	1	269,686,662	0	269,686,662	51.0000%
ASSOCIATED COMPANIES	0	0	0	0	0	0	0.0000%
FOREIGN FUNDS	45	15	60	177,148	7,935,745	8,112,893	1.5342%
INDIVIDUALS (FOREIGN)	0	14	14	0	62,186	62,186	0.0118%
INDIVIDUALS (LOCAL)	4,534	15,693	20,227	8,922,651	77,728,306	86,650,957	16.3864%
BANK/NBFI/FIN.INST./INSURANCE							
CO./MODARABAS MUTUAL FUNDS	20	42	62	102,246	37,126,003	37,228,249	7.0402%
LEASING COMPANIES	0	9	9	0	941,631	941,631	0.1781%
CHARITABLE TRUSTS	0	7	7	0	271,191	271,191	0.0513%
COOPERATIVE SOCIETY	0	0	0	0	0	0	0.0000%
NIT	0	3	3	0	2,709,327	2,709,327	0.5124%
ICP	1	1	2	975	8,925	9,900	0.0019%
JOINT STOCK COMPANIES	16	214	230	130,329	21,391,702	21,522,031	4.0700%
OTHERS	0	23	23	0	101,594,849	101,594,849	19.2124%
TOTAL	4,618	16,023	20,641	279,022,511	249,774,865	528,797,376	100.0000%

Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the members of the Bank will be held at Qasar-e-Noor, Main Boulevard, Gulberg-III, Lahore on **Wednesday, 30th May, 2012 at 9:30 a.m.** to transact the following business:

ORDINARY BUSINESS:

- 1) To confirm the minutes of 20th Annual General Meeting held on September 30, 2010.
- 2) To receive and adopt the audited accounts of the Bank for the years ended December 31, 2009, December 31, 2010 and December 31, 2011 together with the report of Directors and the Auditors thereon.
- 3) To appoint Auditors for the year ending December 31, 2012 and to fix their remuneration.
- 4) Any other item of business with the permission of the Chair.

By order of the Board
RAZA SAEED
SECRETARY

Lahore: **May 09, 2012**

NOTES:

01. Share Transfer Books of the Bank shall remain closed for transfer from **23-05-2012 to 29-05-2012** (both days inclusive).
02. All members are entitled to attend the meeting; however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per section 17(1) of The Bank of Punjab Act, 1989.
03. Members, whose shares are deposited with Central Depository Company of Pakistan Ltd., are requested to bring their original Computerized National Identity Card (CNIC) along with Participant ID number and their account numbers in CDC to facilitate identification at the time of the Annual General Meeting. In case of proxy, an attested copy of proxy's Identity Card, Participant's ID and account number in CDC be enclosed. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced (if it has not been provided earlier) at the time of the meeting.

Proxy, in order to be valid must be deposited at the **Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore** not less than 48 hours before the meeting. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
04. A member is entitled to appoint another member as proxy to attend the meeting.
05. The members should quote their folio number in all correspondence with the Bank and at the time of attending the Meeting.
06. Members are requested to promptly notify any change in their addresses to our Registrar **M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore** before book closure so that entitlement, if any, be dispatched at the correct addresses.
07. Entry of the member or his/her duly authorized person will be on strict identification as per specimen signature on the Bank's record.
08. The Form of Proxy is enclosed.

The Bank of Punjab

Financial Statements

for the year ended December 31, 2009

Auditors' Report to the Members

We have audited the annexed statement of financial position of The Bank of Punjab (the Bank) as at 31 December 2009, 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 (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 14 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Bank's 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 Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these 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 amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:-

- (a) in our opinion, proper books of account have been kept by the Bank as required by The Bank of Punjab Act, 1989, 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 profit and loss account together with the notes thereon have been drawn up in conformity with The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as mentioned in Note 6.1 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2009, and its true balance of loss, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion we draw attention to Note 1.2 to the financial statements which fully explain relaxations granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital.

Lahore: 29 March 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Mohammed Junaid

Statement of Financial Position

as at 31 December 2009

	Note	2009	2008
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	7	13,043,705	10,685,057
Balances with other banks	8	2,185,782	2,178,455
Lendings to financial institutions	9	1,053,550	633,333
Investments	10	57,960,105	22,711,980
Advances	11	121,315,799	131,731,158
Operating fixed assets	12	3,427,267	3,471,838
Deferred tax assets	13	11,921,146	8,388,162
Other assets	14	5,762,509	6,109,137
		216,669,863	185,909,120
Liabilities			
Bills payable	16	875,618	1,219,801
Borrowings	17	14,040,014	12,278,773
Deposits and other accounts	18	190,858,215	164,072,532
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	19	19,907	30,632
Deferred tax liabilities		-	-
Other liabilities	20	4,700,166	4,564,257
		210,493,920	182,165,995
Net Assets		6,175,943	3,743,125
Represented By			
Share capital	21	5,287,974	5,287,974
Reserves	22	573,779	7,427,232
Accumulated loss		(10,330,839)	(7,658,686)
		(4,469,086)	5,056,520
Share deposit money	23	10,000,000	-
		5,530,914	5,056,520
Surplus / (Deficit) on revaluation of assets	24	645,029	(1,313,395)
		6,175,943	3,743,125
Contingencies and Commitments	25		

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

Profit and Loss Account

for the year ended 31 December 2009

	Note	2009 (Rupees in '000)	2008
Mark-up/return/interest earned	26	15,641,832	17,752,969
Mark-up/return/interest expensed	27	19,022,494	16,614,000
Net mark-up/ interest income		(3,380,662)	1,138,969
Provision against non-performing loans and advances-net	11.4	9,241,653	18,863,580
Provision for diminution in the value of investments-net	10.3	941,183	366,387
Bad debts written off directly	11.5	-	-
		10,182,836	19,229,967
Net mark-up/ interest income after provisions		(13,563,498)	(18,090,998)
Non Mark-up/interest Income			
Fee, commission and brokerage income		657,114	577,630
Dividend income		920,943	2,020,896
Income from dealing in foreign currencies		247,570	324,328
(Loss)/Gain on sale and redemption of securities	28	(124,238)	733,787
Unrealized loss on revaluation of investments classified as held for trading	10.9	(1,193)	-
Other income	29	518,553	526,185
Total non-markup/interest income		2,218,749	4,182,826
		(11,344,749)	(13,908,172)
Non Mark-up/interest Expenses			
Administrative expenses	30	3,028,377	2,799,933
Provision against other assets		-	10,101
Provision against off balance sheet items		-	-
Other charges	31	794	114,700
Total non-markup/interest expenses		3,029,171	2,924,734
		(14,373,920)	(16,832,906)
Extra ordinary/unusual items		-	-
Loss Before Taxation		(14,373,920)	(16,832,906)
Taxation - Current		-	207,600
- Prior years		78,491	1,052,000
- Deferred		(4,383,406)	(8,033,001)
	32	(4,304,915)	(6,773,401)
Loss After Taxation		(10,069,005)	(10,059,505)
(Accumulated loss) / Unappropriated profit brought forward		(7,658,686)	3,452,842
Transfer to reserve for issuance of bonus share		-	(1,057,595)
Transfer from statutory reserve to accumulated loss		2,894,000	-
Transfer from general reserve to accumulated loss		4,495,350	-
Transfer from surplus on revaluation of fixed assets - net of tax		7,502	5,572
Accumulated loss carried forward		(261,834)	2,400,819
		(10,330,839)	(7,658,686)
Basic loss per share (after tax) - Rupees	33	(19.04)	(19.02)
Diluted loss per share (after tax) - Rupees	34	(19.04)	(19.02)

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 (Rupees in '000)	2008
Loss after taxation		(10,069,005)	(10,059,505)
Other comprehensive income		-	-
Total comprehensive loss		<u>(10,069,005)</u>	<u>(10,059,505)</u>

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

Cash Flow Statement

for the year ended 31 December 2009

	Note	2009	2008
(Rupees in '000)			
Cash Flow From Operating Activities			
Loss before taxation		(14,373,920)	(16,832,906)
Less: Dividend income		(920,943)	(2,020,896)
		<u>(15,294,863)</u>	<u>(18,853,802)</u>
Adjustments for non-cash charges:			
Depreciation	12.2	303,847	215,783
Amortization on intangible assets	12.3	7,512	12,671
Amortization on premium on Pakistan Investment Bonds		72,216	72,198
Unrealized loss on revaluation of investments classified as held for trading		1,193	-
Provision against non-performing loans and advances - net	11.4	9,241,653	18,863,580
Bad debts written-off directly	11.5	-	-
Provision for diminution in the value of investments - net	10.3	941,183	366,387
Provision for employees compensated absences	37.1.2	23,617	27,981
Provision for gratuity	37.1.1	49,863	37,042
Provision against other assets		-	10,101
Net profit on sale of property and equipment	12.2.1	(10,344)	(3,152)
Loss / (Gain) on sale and redemption of securities	28	124,238	(733,787)
Finance charge on leased assets	30	3,395	4,454
		<u>10,758,373</u>	<u>18,873,258</u>
		<u>(4,536,490)</u>	<u>19,456</u>
(Increase)/ Decrease in operating assets:			
Lendings to financial institutions		(420,217)	816,667
Net investments in held for trading securities		(69,932)	-
Advances		1,709,603	(16,701,153)
Others assets		1,346,657	(285,077)
		<u>2,566,111</u>	<u>(16,169,563)</u>
Increase/ (Decrease) in operating liabilities:			
Bills Payable		(344,183)	282,154
Borrowings		1,863,394	(5,463,146)
Deposits and other accounts		26,785,683	(27,896,377)
Other liabilities		62,429	1,489,250
		<u>28,367,323</u>	<u>(31,588,119)</u>
		<u>26,396,944</u>	<u>(47,738,226)</u>
Financial charges paid		(3,395)	(4,454)
Income tax paid		(1,069,621)	(642,328)
Net cash flow from / (used in) operating activities		<u>25,323,928</u>	<u>(48,385,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(33,508,312)	42,476,027
Net investments in held to maturity securities		7,637	165,855
Dividends received		912,044	2,036,149
Investments in operating fixed assets		(282,883)	(462,157)
Sale proceeds of property and equipment disposed-off	12.2.1	26,439	5,367
Net cash flow (used in) / from investing activities		<u>(32,845,075)</u>	<u>44,221,241</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease obligations		(10,725)	(9,689)
Share deposit money	23	10,000,000	-
Net cash flow from / (used in) financing activities		<u>9,989,275</u>	<u>(9,689)</u>
Net increase / (decrease) in cash and cash equivalents		<u>2,468,128</u>	<u>(4,173,456)</u>
Cash and cash equivalents at beginning of the year		<u>12,705,282</u>	<u>16,878,738</u>
Cash and cash equivalents at end of the year	35	<u>15,173,410</u>	<u>12,705,282</u>

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these financial statements.

Chairman

President

Director

Director

Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital	Statutory reserve	Capital Reserve			Revenue Reserve		Total
			Share premium	Restructuring reserve	Reserve for issuance of bonus shares	General reserve	Unappropriated Profit / (Accumulated loss)	
	(Rupees		in	'000)				
Balance as at 01 January 2008	4,230,379	2,894,000	37,882	-	-	4,495,350	3,452,842	15,110,453
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,572	5,572
Total comprehensive loss for the year ended 31 December 2008	-	-	-	-	-	-	(10,059,505)	(10,059,505)
Transfer to reserve for issue of bonus shares	-	-	-	-	1,057,595	-	(1,057,595)	-
Issue of bonus shares	1,057,595	-	-	-	(1,057,595)	-	-	-
Balance as at 31 December 2008	5,287,974	2,894,000	37,882	-	-	4,495,350	(7,658,686)	5,056,520
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	-	7,502	7,502
Total comprehensive loss for the year ended 31 December 2009	-	-	-	-	-	-	(10,069,005)	(10,069,005)
Transfer from provision against NPLs - net of tax	-	-	-	535,897	-	-	-	535,897
Transfer to accumulated loss	-	(2,894,000)	-	-	-	(4,495,350)	7,389,350	-
Balance as at 31 December 2009	5,287,974	-	37,882	535,897	-	-	(10,330,839)	(4,469,086)

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these financial statements.

Chairman

President

Director

Director

Notes to the Financial Statements

for the year ended 31 December 2009

1. Status and nature of business

- 1.1 The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 19 September 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 272 branches (2008: 272 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab.
- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 5,530,914 thousand, as against the minimum regulatory capital requirement of Rs. 6,000,000 thousand and Capital Adequacy Ratio (CAR), as disclosed in note 42.2, remained below the prescribed level of 10%. Further, as at the close of the year 2009, net advances aggregating to Rs. 27,816,636 thousand requiring additional provision of Rs. 21,041,154 thousand there against, have not been subjected to provisioning criteria as prescribed in State Bank of Pakistan's (SBP) prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in para 2 below.

Government of the Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand as advance subscription money during the year and subsequent to the statement of financial position date, deposited additional Rs.7,000,000 thousand as advance subscription money in year 2011 against future issue of shares by the Bank. Further, the GOPb vide two Letters of Comfort (LOCs) issued on 29 March 2012, has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending 31 December 2014 and 31 December 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above LOC, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012. However, the minimum level of CAR should not fall below 7% for the years 2011 and 2012. Further, the SBP has also agreed to allow above relaxations for the period of another 3 years including year 2012 based on examination of the business plan to be submitted by the Bank to the SBP by 30 June 2012.

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. Basis of preparation

- 2.1 In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks

from their customers and immediate resale to them at appropriate marked-up 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 utilized and the appropriate portion of mark-up thereon.

2.2 These financial statements are separate financial statements of the Bank in which the investment in subsidiary is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investees.

2.3 "Balance Sheet" has been renamed as "Statement of Financial Position" keeping in view the requirement of BSD circular letter No. 7 of 2010 issued by the SBP.

3. Statement of compliance

These financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

4. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

5.1 Classification of investments

In classifying investments as "held for trading" the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as “held to maturity” the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision. During the year, the management has changed the method of computing provision against non-performing loans as allowed under Prudential Regulations and explained in note 11.4.3.

5.3 Impairment of available-for-sale investments

The Bank considers that available for sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date the management has determined an impairment loss on available for sale securities as disclosed in note 10.3.1.

5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management’s best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Bank estimates the revalued amount of free hold land and buildings free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

5.5 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Bank’s view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

6. Summary of significant accounting policies

6.1 Change in accounting policy and disclosure

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of previous financial year except for the following.

- IAS-1 Presentation of Financial Statements (Revised) effective 01 January 2009

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income; it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Bank has elected to present two statements, "Profit and Loss Account" and a "Statement of Comprehensive Income", rather than a single statement of comprehensive income combining the two elements.

Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. Comparative information has been represented so that it is in conformity with the revised standard.

6.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending less over drawn nostro accounts and other overdrawn bank accounts.

6.3 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

6.3.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accruals basis, except mark-up on non-performing advances which is recognized when received.

6.3.2 Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

6.3.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

6.3.4 Fees and commission income

Fees and commission on letters of credit/guarantee are recognized on a receipt basis.

6.4 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for a doubtful debt is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

6.5 Investments

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to 'Surplus/(deficit) on revaluation of assets' account below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Held for trading and quoted available for sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution

in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as "Surplus/(Deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

6.6 Lending to/borrowing from financial institutions

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

6.6.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential in sale and repurchase value is accrued using effective yield method and recorded as interest expense.

6.6.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

6.7 Operating fixed assets and depreciation

Owned

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / Deficit arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus/(Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially

from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in income currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these financial statements.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

6.8 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the statement of balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement

of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity. The Bank also recognized deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

6.9 Employee retirement and other benefits

6.9.1 Defined contribution plan – Provident Fund

The Bank operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to income.

6.9.2 Gratuity scheme

The Bank operates an approved funded gratuity scheme for all its employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to income in the year in which they occur. The most recent valuation was carried out at 31 December 2009 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2009 were as follows:

- Discount rate	12%
- Expected rate of eligible salary increase in future years	11%
- Expected rate of return on plan assets during 2010	12%
- Average expected remaining working life time of employees	11 years

6.9.3 Employees' compensated absences

The Bank makes annual provision in the accounts for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The most recent valuation was carried out at 31 December 2009 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2009 were as follows:

- Discount rate	12%
- Expected rate of eligible salary increase in future years	11%
- Average number of leaves utilized during the year	7 days
- Average number of leaves accumulated per annum by the employees	23 days

6.10 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which

are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

6.11 Provisions

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are 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.

6.12 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

6.13 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.14 Financial Instruments

6.14.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.14.2 Offsetting

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

6.15 Segment Reporting

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

6.15.1 Business segments

Trading and sales

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

Retail banking

It includes retail lending and deposits, banking services, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial and private labels and retail.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, lending, guarantees, bills of exchange and deposits.

Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.

6.15.2 Geographical Segments

The Bank operates only in Pakistan.

6.16 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS 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 period / year. 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.

6.17 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
IAS 24	Related Party Disclosure (Revised)	01 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Right Issues (Amendment)	01 February 2010
IFRS 2	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRS 3	Business Combinations (Revised)	01 July 2009
IAS 27	Consolidated and Separate Financial Statements (Amendment)	01 July 2009
IFRIC 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 15	Agreement for the Construction of real estate	01 October 2009
IFRIC 17	Distribution of Non-cash Assets to owners	01 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Bank considers that the above standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by SBP for banks.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010.

7. Cash and Balances With Treasury Banks

	Note	2009 (Rupees in '000)	2008
In hand:			
- Local currency	7.1	2,338,006	2,411,178
- Foreign currency		258,119	310,908
		2,596,125	2,722,086
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	8,189,488	5,087,599
- Foreign currency deposit account	7.3		
- Non remunerative		61,076	126,558
- Remunerative	7.4	191,086	394,775
		8,441,650	5,608,932
With National Bank of Pakistan in:			
- Local currency current account		1,900,430	2,222,039
- Local currency deposit account	7.5	105,500	132,000
		2,005,930	2,354,039
		13,043,705	10,685,057

- 7.1** This includes National Prize Bonds of Rs. 18,127 (thousand) {2008: Rs 15,039 (thousand)}
- 7.2** This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.
- 7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.4** This carries mark-up as announced by the SBP on monthly basis. Mark-up rates during the year were NIL per annum (2008: ranging from 0.90% to 2.93% per annum).
- 7.5** This carries mark-up at the rate of 5.00% per annum (2008: 5.00% per annum).

8. Balances With Other Banks

	Note	2009 (Rupees in '000)	2008
In Pakistan:			
- On current account		1,240,904	1,796,721
- On saving account	8.1	508,633	237,205
		1,749,537	2,033,926
Outside Pakistan:			
- On current account		199,197	118,255
- On deposit account	8.2	237,048	26,274
		436,245	144,529
		2,185,782	2,178,455

- 8.1** These carry mark-up at rates ranging from 5.00% to 9.50% per annum (2008: 5.00% to 11.00% per annum).
- 8.2** These carry mark-up at rates ranging from 0.25% to 0.50% per annum (2008: 0.1% to 1.10% per annum).

9. Lendings To Financial Institutions

	Note	2009 (Rupees in '000)	2008
Reverse repo	9.2	495,217	-
Certificates of investment	9.3	258,333	333,333
Placements	9.4	300,000	300,000
		<u>1,053,550</u>	<u>633,333</u>
9.1 Particulars of Lending			
In local currency		1,053,550	633,333
In foreign currencies		-	-
		<u>1,053,550</u>	<u>633,333</u>

9.2 Securities held as collateral against lendings to financial institutions

Note	2009 (Rupees in '000)			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Pakistan Investment Bonds	495,217	-	495,217	-	-	-

Market value of securities held as collateral as at 31 December 2009 amounted to Rs. 496,827 (thousand) (2008: NIL). These carry mark-up rate ranging from 8.00% to 11.00% per annum (2008: NIL) with maturities up to 19 March 2010.

9.3 This carries profit at the rate of 15.10% per annum (2008: 12.0% per annum) maturing on 14 January 2011.

9.4 These represent placements carrying profit at rate of 13.0% per annum (2008: 19.50% per annum) with maturities up to 01 March 2010.

10. Investments

10.1 Investments by types:

Note	2009 (Rupees in '000)			2008			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Held for trading securities							
Ordinary shares	Annex II - 1	69,932	-	69,932	-	-	
Available for sale securities							
Market Treasury Bills	10.4	25,059,220	7,708,707	32,767,927	1,280,647	665,841	1,946,488
Pakistan Investment Bonds	10.4	1,318,810	-	1,318,810	366,342	358,826	725,168
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
Ordinary Shares / Certificates of Listed Companies and Modarabas	Annex II - 1	240,636	-	240,636	194,024	-	194,024
Preference Shares of Listed Companies	Annex II - 2	210,908	-	210,908	210,908	-	210,908
Ordinary Shares of Unlisted Company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
NIT Units	10.6	5,745,924	-	5,745,924	5,426,287	-	5,426,287
Mutual Funds Units	Annex II - 4	6,558,515	-	6,558,515	11,500,642	-	11,500,642
Listed Term Finance Certificates	Annex II - 5	792,564	-	792,564	431,834	-	431,834
Unlisted Term Finance Certificates	Annex II - 6	8,624,052	-	8,624,052	2,746,540	-	2,746,540
Held to maturity securities							
Pakistan Investment Bonds	10.7	2,741,111	-	2,741,111	824,115	1,996,849	2,820,964
WAPDA Bonds		400	-	400	400	-	400
Subsidiary							
Punjab Modaraba Services (Private) Limited	Annex II - 7	164,945	-	164,945	164,945	-	164,945
Total investments at cost							
		51,562,017	7,708,707	59,270,724	23,181,684	3,021,516	26,203,200
Provision for diminution in value of investments	10.3	(1,007,466)	-	(1,007,466)	(372,912)	-	(372,912)
Investments - net of provisions		50,554,551	7,708,707	58,263,258	22,808,772	3,021,516	25,830,288
Deficit on revaluation of available for sale securities	24.2	(301,960)	-	(301,960)	(3,118,308)	-	(3,118,308)
Deficit on revaluation of held for trading securities	10.9	(1,193)	-	(1,193)	-	-	-
Total investments at market value		<u>50,251,398</u>	<u>7,708,707</u>	<u>57,960,105</u>	<u>19,690,464</u>	<u>3,021,516</u>	<u>22,711,980</u>

10.2 Investments By Segments:

Note	2009			2008			
	Held by bank	given as collateral	Total	Held by bank	given as collateral	Total	
	(Rupees in '000)						
Federal government securities:							
Market Treasury Bills	10.4	25,059,220	7,708,707	32,767,927	1,280,647	665,841	1,946,488
Pakistan Investment Bonds Government of Pakistan	10.4	4,059,921	-	4,059,921	1,190,457	2,355,675	3,546,132
Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
Fully paid up ordinary shares/certificates:							
Listed companies and Modarabas	Annex II-1	310,568	-	310,568	194,024	-	194,024
Unlisted companies	Annex II-3	25,000	-	25,000	25,000	-	25,000
Unlisted subsidiary Company	Annex II-7	164,945	-	164,945	164,945	-	164,945
NIT Units	10.6	5,745,924	-	5,745,924	5,426,287	-	5,426,287
Mutual Funds Units	Annex II-4	6,558,515	-	6,558,515	11,500,642	-	11,500,642
Preference shares							
Listed companies	Annex II-2	210,908	-	210,908	210,908	-	210,908
Term Finance Certificates and Bonds:							
Listed Term Finance Certificates	Annex II-5	792,564	-	792,564	431,834	-	431,834
Unlisted Term Finance Certificates	Annex II-6	8,624,052	-	8,624,052	2,746,540	-	2,746,540
WAPDA Bonds		400	-	400	400	-	400
Total investments at cost		51,562,017	7,708,707	59,270,724	23,181,684	3,021,516	26,203,200
Provision for diminution in value of investment	10.3	(1,007,466)	-	(1,007,466)	(372,912)	-	(372,912)
Investments - net of provisions		50,554,551	7,708,707	58,263,258	22,808,772	3,021,516	25,830,288
Deficit on revaluation of available for sale securities	24.2	(301,960)	-	(301,960)	(3,118,308)	-	(3,118,308)
Deficit on revaluation of held for trading securities	10.9	(1,193)	-	(1,193)	-	-	-
Total investments at market value		50,251,398	7,708,707	57,960,105	19,690,464	3,021,516	22,711,980

Note **2009** 2008
(Rupees in '000)

10.3 Provision for diminution in value of investments

Opening balance		372,912	6,525
Charge for the year		941,183	366,572
Reversal during the year		-	(185)
		941,183	366,387
Reversal on disposal		1,314,095 (306,629)	372,912 -
Closing balance	10.3.1	1,007,466	372,912

10.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities

Ordinary Shares of unlisted Companies	9,496	5,940
Ordinary Shares of listed Companies	140,445	-
Mutual funds units	857,125	366,572
	1,007,066	372,512

Held-to-maturity securities

WAPDA Bonds	400	400
	1,007,466	372,912

- 10.4** Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with SBP.
- 10.5** These represents bonds issued for a period of three years carrying semi-annual rate on the basis of rental rates issued by the SBP at start of each half year. The semi annual profit is benchmarked against the latest weighted average yield of six month Market Treasury Bills determined one day prior to the start of each six month rental period.

10.6 NIT Units

This represents 203,810,192 units (2008: 190,260,484 units) in National Investment (Unit) Trust (NI(U)T)-LOC Holders' Fund measured at NAV of 31 December 2009 as announced by NIT. The Letter of Comfort (LOC) dated June 30, 2009 issued by the Federal Government, confirming facilitation to NITL in redeeming these units at a price of Rs. 13.70 per unit, expired on December 31, 2009.

The Ministry of Finance (MoF) vide letter No. F.4(2)-Inv.III/ 2000 dated 03 December, 2009 advised a scheme for settlement of NI(U)T-LOC Holders Fund by distributing all assets to LOC holders after charging an agreed premium of 2.5%, except for shares held in Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) (Strategic Assets) which were to be taken over by the NBP for settlement of the balance claims of respective LOC Fund Holders.

Subsequent to the balance sheet date, the Bank has recorded the redemption / disposal of 178,559,130 units against proportionate share of the Non-Strategic Assets. For remaining units attributable to Strategic Assets, the Bank has agreed the market value of these shares as of 13 October 2010 for redemption of these units. The Bank has not yet received the funds against these units. However, as per the terms agreed amongst the LOC Unit Holders, the remaining holding of the Bank have been valued based on the proportionate share of the Bank as per the audited financial statements of the fund. Accordingly, the investment in LOC Holders' Fund has been derecognized and shown as receivable from NITL in 2011.

- 10.7** As per BSD 23/2008 dated 13 October 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 2,298,802 (thousand) {2008: Rs.2,807,364 (thousand)}.
- 10.8** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 10.9 Unrealized loss on revaluation of investments classified as held for trading**

	Note	2009 (Rupees in '000)	2008
Ordinary shares		(1,193)	-
11. ADVANCES			
Loans, cash credits, running finances etc.			
- In Pakistan		146,240,824	144,479,846
- Outside Pakistan		-	-
		146,240,824	144,479,846
Net investment in finance lease			
- In Pakistan	11.2	2,713,294	3,607,444
- Outside Pakistan		-	-
		2,713,294	3,607,444
Repurchase Agreement Lendings to Non-Financial Institutions	11.7	1,693,142	2,325,000
Bills discounted and purchased (excluding Market Treasury Bills)			
- Payable in Pakistan		443,699	1,140,793
- Payable outside Pakistan		424,443	1,673,168
		868,142	2,813,961
Advances - (Gross)	11.1	151,515,402	153,226,251
Less: Provision for non-performing advances			
- Specific	11.3 & 11.4	(30,174,305)	(21,447,458)
- General	11.4	(25,298)	(47,635)
		(30,199,603)	(21,495,093)
Advances - net of provision		121,315,799	131,731,158

	Note	2009 (Rupees in '000)	2008
11.1 Particulars of advances (Gross)			
11.1.1 In local currency		151,515,402	153,226,251
In foreign currencies		-	-
		<u>151,515,402</u>	<u>153,226,251</u>
11.1.2 Short-term advances upto one year		87,097,391	89,323,454
Long-term advances for over one year		64,418,011	63,902,797
		<u>151,515,402</u>	<u>153,226,251</u>
11.2 Net Investment In Finance Lease			

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees	in	'000)		(Rupees	in	'000)	
Lease rentals receivable	643,850	2,638,911	18,245	3,301,006	713,950	3,617,025	95,947	4,426,922
Guaranteed residual value	-	-	-	-	-	-	-	-
Minimum lease payments	643,850	2,638,911	18,245	3,301,006	713,950	3,617,025	95,947	4,426,922
Less: Finance charge for future periods	178,725	408,499	488	587,712	247,869	568,534	3,075	819,478
Present value of minimum lease payments	465,125	2,230,412	17,757	2,713,294	466,081	3,048,491	92,872	3,607,444

11.3 Advances include Rs. 77,342,385 (thousand) {2008: Rs. 42,689,337 (thousand)} which have been placed under non-performing status as detailed below:-

Category of Classification	2009 (Rupees in '000)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	742,314	-	742,314	-	-	-	-	-	-
Substandard	12,660,813	-	12,660,813	4,632,300	-	4,632,300	4,632,300	-	4,632,300
Doubtful	9,545,396	-	9,545,396	2,009,560	-	2,009,560	2,009,560	-	2,009,560
Loss	54,393,862	-	54,393,862	23,532,445	-	23,532,445	23,532,445	-	23,532,445
	<u>77,342,385</u>	<u>-</u>	<u>77,342,385</u>	<u>30,174,305</u>	<u>-</u>	<u>30,174,305</u>	<u>30,174,305</u>	<u>-</u>	<u>30,174,305</u>

11.3.1 Provision against certain net advances amounting to Rs. 27,816,636 thousand {2008:Rs.12,300,000 (thousand)} requiring additional provisioning of Rs. 21,041,154 thousand has not been considered necessary in these financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

11.4 Particulars of provisions against non-performing advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	21,447,458	47,635	21,495,092	2,500,058	136,360	2,636,418
Charge for the year	12,143,450	-	12,143,450	19,733,866	3,567,725	23,301,591
Reversals	(2,879,460)	(22,337)	(2,901,797)	(781,561)	(3,656,450)	(4,438,011)
11.4.3	9,263,990	(22,337)	9,241,653	18,952,305	(88,725)	18,863,580
Amounts written off	11.5	(1,246)	(1,246)	(4,905)	-	(4,905)
Amount transferred to restructuring reserve	11.4.4	(535,897)	(535,897)	-	-	-
Closing balance	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>	<u>21,447,458</u>	<u>47,635</u>	<u>21,495,093</u>

11.4.1 Particulars of provisions against non-performing advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
In local currency	30,174,305	25,298	30,199,603	21,447,458	47,635	21,495,093
In foreign currencies	-	-	-	-	-	-
	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>	<u>21,447,458</u>	<u>47,635</u>	<u>21,495,093</u>

11.4.2 General provision includes provision against consumer loans maintained at an amount equal to 1.50% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by Prudential Regulations issued by SBP.

11.4.3 During the year, the SBP vide its BSD Circular No. 10 dated 20 October 2009 has amended Prudential Regulations for provisioning against non-performing advances in respect of benefit of Forced Sale Value (FSV) and rescheduling / restructuring of advances. The revised regulations allow benefit of 40% (previously 30%) of FSV of pledged stock and mortgaged residential, commercial and industrial properties held as collateral for calculating provision with effect from 30 September 2009. Had the change not been made, the specific provision against non-performing loans and advances would have been higher and consequently, loss before tax would have been higher and advances lower by Rs.2,798,817 (thousand).

11.4.4 This represents amount transferred to restructuring reserve in accordance with the SBP regulations which allows the Bank to up-grade category of classification by one category upon rescheduling / restructuring of classified advances. However, these interim instructions were applicable till 30 June 2010, only for such existing classified advances which were rescheduled / restructured on or after 01 January 2009 and were over due by less than one year at the time of rescheduling / restructuring.

	Note	2009	2008
		(Rupees in '000)	
11.5 Particulars of write Offs:			
11.5.1 Against Provisions	11.4	1,246	4,905
Directly charged to Profit & Loss account		-	-
		<u>1,246</u>	<u>4,905</u>
11.5.2 Write Offs of Rs. 500,000 and above	11.6	1,017	4,803
Write Offs of Below Rs. 500,000		229	102
		<u>1,246</u>	<u>4,905</u>

11.6 Details of Loan Write Off of Rs. 500,000/- and Above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2009 is given in Annexure-1.

11.7 Market value of securities held as collateral as at 31 December 2009 amounted to Rs. 1,698,387 (thousand) {2008: Rs. 2,247,370 (thousand)}. These are secured against Pakistan Investment Bonds maturing on 21 December 2010 at the rate of interest of 12.40% per annum (2008: ranging from 13% to 15% per annum).

	Note	2009 (Rupees in '000)	2008
11.8 Particulars of Loans And Advances To Directors, Associated Companies, 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		758,256	920,185
Loans granted during the year		249,968	100,161
Repayments received during the year		(132,410)	(262,090)
Balance at end of year	11.8.1	875,814	758,256
Debts due by subsidiary company and managed modaraba			
Balance at beginning of year		1,050,216	452,210
Loans granted during the year		4,097,671	5,567,253
Repayments received during the year		(4,160,472)	(4,969,247)
Balance at end of year		987,415	1,050,216
		1,863,229	1,808,472

11.8.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

12. Operating Fixed Assets

	Note	2009 (Rupees in '000)	2008
Capital work-in-progress	12.1	68,236	219,800
Property and equipment	12.2	3,359,031	3,244,526
Intangible assets	12.3	-	7,512
		3,427,267	3,471,838
12.1 Capital work-in-progress			
Civil works		38,166	126,980
Equipments		-	12,443
Premises		30,070	65,323
Software		-	11,804
Advances to suppliers and contractors		-	3,250
		68,236	219,800

12.2 Property and equipment

2009

	COST / REVALUED AMOUNT				DEPRECIATION			Book value as at December 31 2009	Rate of depreciation %		
	Opening balance as at January 01, 2009	Additions	Deletions/ Transfer	Revaluation adjustment	Closing balance as at December 31, 2009	Opening balance as at January 01, 2009	Charge for the year			(Deletions)/ Transfer/ Revaluation adjustment	Closing balance as at December 31, 2009
Owned Assets	(Rupees in '000)										
Free hold land	1,183,532	-	-	-	1,183,532	-	-	-	-	1,183,532	-
Building on free hold land	1,436,603	87,601	-	-	1,524,204	-	74,054	-	74,054	1,450,150	5
Furniture, fixture and office equipment	1,068,348	284,045	(10,804) 5,197 *	-	1,346,786	548,745	196,570	(8,452) 5,197 *	742,060	604,726	10-33.33
Vehicles	92,805	62,801	(29,657) 9,178 *	-	135,127	12,687	23,088	(16,887) 9,178 *	28,066	107,061	20
Assets held under finance lease	3,781,288	434,447	(26,086)	-	4,189,649	561,432	293,712	(10,964)	844,180	3,345,469	
Furniture, fixture and office equipment	5,197	-	-	-	-	1,608	1,040	-	-	-	20
Vehicles	59,192	-	(5,197)* (2,925)	-	47,089	38,111	9,095	(5,197)* 2,549 (1,952) (9,178)* (2,549)	33,527	13,562	20
	64,389	-	(17,300)	-	47,089	39,719	10,135	(16,327)	33,527	13,562	
	3,845,677	434,447	(43,386)	-	4,236,738	601,151	303,847	(27,291)	877,707	3,359,031	

*These represent leased vehicles and equipment transferred to owned assets on completion of finance lease.

2008

	COST / REVALUED AMOUNT				DEPRECIATION			Book value as at December 31 2007	Rate of depreciation %		
	Opening balance as at January 01, 2007	Additions	(Deletions)/ Transfer	Revaluation adjustment	Closing balance as at December 31, 2007	Opening balance as at January 01, 2007	Charge for the year			Deletions/ Transfer	Closing balance as at December 31, 2007
Owned Assets	(Rupees in '000)										
Free hold land	1,212,669	38,000	-	(67,137)	1,183,532	-	-	-	-	1,183,532	-
Building on free hold land	554,087	930,787	-	(48,271)	1,436,603	55,265	47,736	(103,001)	-	1,436,603	5
Furniture, fixture and office equipment	761,429	319,549	(12,630)	-	1,068,348	405,461	153,879	(10,595)	548,745	519,603	10-33.33
Vehicles	16,768	81,106	(8,248) 3,179 *	-	92,805	14,143	3,613	(8,248) 3,179 *	12,687	80,118	20
Assets held under finance lease	2,544,953	1,369,442	(17,699)	(115,408)	3,781,288	474,869	205,228	(118,665)	561,432	3,219,856	
Furniture, fixture and office equipment	5,197	-	-	-	5,197	569	1,039	-	1,608	3,589	20
Vehicles	63,730	-	(1,359) (3,179) *	-	59,192	32,954	9,516	(1,180) (3,179) *	38,111	21,081	20
	68,927	-	(4,538)	-	64,389	33,523	10,555	(4,359)	39,719	24,670	
	2,613,880	1,369,442	(22,237)	(115,408)	3,845,677	508,392	215,783	(123,024)	601,151	3,244,526	

*These represent leased vehicles and equipment transferred to owned assets on completion of finance lease.

12.2.1 Detail of disposal of operating fixed assets

Particulars	Cost	Book value	Sale price	Profit	Mode of disposal	Particulars of purchasers
(Rupees in '000)						
Land Cruiser Prado	6,100	5,388	5,555	167	Auction	Argosy Enterprises
Toyota Camry	2,750	1,513	2,725	1,212	Insurance claim	United Insurance Company Limited
Land Cruiser Prado	6,225	5,395	5,925	530	Auction	Mr. Amer Mehmood
Suzuki Cultus	657	482	569	87	As per policy	Ex-employee Tariq Javaid Butt
Honda City	841	350	400	50	As per policy	Ex-employee, Zilma-e-Azam
Toyota Corolla	969	436	500	64	As per policy	Ex-employee, Mahmood Sadiq
	17,542	13,564	15,674	2,110		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	25,844	2,531	10,765	8,234		
Minor Write Offs	-	-	-	-		
2009	43,386	16,095	26,439	10,344		
2008	22,237	2,215	5,367	3,152		

12.2.2 Freehold land and buildings were revalued on 31 December 2008 by M/s Indus Surveyors (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in surplus of Rs.721,519 thousand and Rs.262,792 thousand in respect of freehold land and buildings on freehold land respectively. Detailed particulars are as follows:

Particulars	Depreciated Cost (Rupees in '000)	Revalued Amount (Rupees in '000)
Freehold land	462,013	1,183,532
Buildings on freehold land	1,173,811	1,436,603

12.2.3 Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2009 (Rupees in '000)	2008
Freehold land	462,013	462,013
Buildings on freehold land	1,198,956	1,173,811

12.2.4 The gross carrying amount of fully depreciated assets that are still in use is Rs. 119,828 (thousand) (2008: Rs. 109,290 (thousand)).

12.3 Intangible assets

	2009							
	COST			AMORTIZATION			Book value as at December 31, 2009	Rate of amortization %
	Opening balance as at January 01, 2009	Additions	Closing balance as at December 31, 2009	Opening balance as at January 01, 2009	Charge for the year	Closing balance as at December 31, 2009		
	(Rupees In '000)			(Rupees In '000)			(Rupees In '000)	
License	37,100	-	37,100	29,970	7,130	37,100	-	33.33
Software	1,251	-	1,251	869	382	1,251	-	33.33
	38,351	-	38,351	30,839	7,512	38,351	-	

	2008							
	COST			AMORTIZATION			Book value as at December 31, 2008	Rate of amortization %
	Opening balance as at January 01, 2008	Additions	Closing balance as at December 31, 2008	Opening balance as at January 01, 2008	Charge for the year	Closing balance as at December 31, 2008		
	(Rupees In '000)			(Rupees In '000)			(Rupees In '000)	
License	35,100	2,000	37,100	17,716	12,254	29,970	7,130	33.33
Software	1,251	-	1,251	452	417	869	382	33.33
	36,351	2,000	38,351	18,168	12,671	30,839	7,512	

Note 2009 2008
(Rupees in '000)

13. Deferred Tax Asset

Taxable temporary differences on:

-Accelerated tax depreciation		(279,591)	(226,488)
-Revaluation surplus on operating fixed assets	24.1	(76,749)	(52,667)

Deductible temporary differences on:

-Deficit on available for sale securities	24.2	82,934	894,047
-Loan loss provision	13.2	10,358,528	7,686,923
-Provision for diminution in the available for sale securities		-	82,812
-Others	13.3	1,836,024	3,535
		11,921,146	8,388,162

13.1 The management based on the future projections expects that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

13.2 In view of the recent changes in the Income Tax Ordinance, 2001, made vide Finance Act, 2008, the Bank has recognized tax charge on the provision for doubtful debts which has resulted in deductible temporary differences.

13.3 This includes deductible temporary difference on business loss amounting to Rs. 1,835,607 thousand (2008: Nil).

13.4 Reconciliation of deferred tax

	Balance As 01 January 2008	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2008	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2009
	(Rupees in '000)						
Taxable temporary differences on:							
- Accelerated tax depreciation	(518,888)	292,400	-	(226,488)	(53,103)	-	(279,591)
- Revaluation surplus on operating fixed assets	(60,010)	-	7,343	(52,667)	4,039	(28,121)	(76,749)
Deductible temporary differences on:							
- Deficit on available for sale securities	(1,659,300)	-	2,553,347	894,047	-	(811,113)	82,934
- Loan loss provision	32,669	7,654,254	-	7,686,923	2,671,605	-	10,358,528
- Provision for diminution in the available for sale securities	-	82,812	-	82,812	(82,812)	-	-
- Others	-	3,535	-	3,535	1,832,489	-	1,836,024
	(2,205,529)	8,033,001	2,560,690	8,388,162	4,372,218	(839,234)	11,921,146

	Note	2009 (Rupees in '000)	2008
14. Other Assets			
Income/mark-up accrued in local currency		2,817,380	5,326,778
Profit paid in advance on pehlay munafa scheme		294,717	377,374
Advances, deposits, advance rent and other prepayments		137,514	151,954
Advance taxation (payments less provisions)		1,132,355	141,225
Non-banking assets acquired in satisfaction of claims	14.1	954,202	4,502
Branch adjustment accounts		344,755	-
Stock of stationary		35,709	35,761
Suspense account		25	544
Excise duty recoverable		1,092	1,094
Recoverable from NIT	14.2	36,790	36,790
Claim for recovery of shares	14.3	18,570	18,570
Unrealized gain on revaluation of foreign contracts		1,271	-
Others	14.4	54,682	81,100
		5,829,062	6,175,692
Less provision against:			
Excise duty recoverable		(1,092)	(1,094)
Recoverable from NIT		(36,790)	(36,790)
Fraud and forgeries		(10,101)	(10,101)
Claim for recovery of shares		(18,570)	(18,570)
	14.5	(66,553)	(66,555)
Other assets - net of provision		5,762,509	6,109,137

14.1 The market value of properties acquired in satisfaction of claims approximates their carrying value.

14.2 This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

14.3 This amount represents the cost of 2,785,074 shares of Sui Northern Gas Pipelines Limited (SNGPL) net of subsequent recoveries, fraudulently and unlawfully withdrawn by M/s S. H. Bukhari Securities (Private) Limited (SHB), an ex-member of Lahore Stock Exchange (Guarantee) Limited (LSE). The matter was reported to LSE and also to the Securities and Exchange Commission of Pakistan for recovery of the said shares.

The Bank has also registered an FIR with Federal Investigation Agency (FIA) to initiate criminal proceedings. The case has been transferred to National Accountability Bureau (NAB) and NAB authorities are in the process of recovery. As a matter of prudence though without prejudice to the Bank's claim against M/s S.H. Bukhari Securities (Private) Limited at various forums and the court of law, the balance claim amount has been fully provided for by the Bank.

14.4 This includes the amount of Rs. 10,695 (thousand) {2008: 12,564 (thousand)} relating to fraud and forgeries against which a provision of Rs. 10,101 (thousand) {2008: 10,101 (thousand)} thereon has been made.

	Note	2009 (Rupees in '000)	2008
14.5 Provision against other assets			
Opening balance		66,555	71,725
Charge for the year		-	10,101
Amount written off		(2)	(15,271)
Closing balance		66,553	66,555
15. Contingent assets			
Contingent assets		Nil	Nil
16. Bills payable			
In Pakistan		875,618	1,219,801
Outside Pakistan		-	-
		875,618	1,219,801
17. Borrowings			
In Pakistan		13,983,937	12,120,543
Outside Pakistan		56,077	158,230
		14,040,014	12,278,773
17.1 Particulars of borrowings with respect to Currencies			
In local currency		13,983,937	12,120,543
In foreign currencies		56,077	158,230
		14,040,014	12,278,773
17.2 Details of borrowings Secured / Unsecured			
Secured			
Borrowings from SBP:			
-Export refinance (ERF)	17.2.1	4,585,528	6,372,098
-Long term financing - export oriented projects (LTF-EOP)	17.2.2	1,496,582	1,585,019
-Long term financing facility (LTFF)	17.2.2	220,857	92,585
Repurchase agreement borrowings	17.2.3	7,680,970	3,695,841
		13,983,937	11,745,543
Unsecured			
Call borrowings		-	375,000
Overdrawn nostro accounts		56,077	158,230
		14,040,014	12,278,773
17.2.1 These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 6.0% to 8.0% per annum (2008: 6.50% to 7.0% per annum). Maturity of the borrowing is upto June 2010.			
17.2.2 This amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.			
17.2.3 These are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 11.00% to 12.00% per annum (2008: 13.50% to 15.00% per annum) maturing on various dates latest by 26 January 2010.			

	2009	2008
	(Rupees in '000)	
18. Deposits and other accounts		
Customers		
Fixed deposits	90,596,230	72,543,702
Savings deposits	65,534,922	52,124,619
Current Accounts - Non-remunerative	26,116,867	19,743,400
Sundry deposits, margin accounts, etc.	1,311,926	1,379,488
	183,559,945	145,791,209
Financial Institutions		
Remunerative deposits	5,848,985	18,204,162
Non-remunerative deposits	1,449,285	77,161
	7,298,270	18,281,323
	190,858,215	164,072,532
18.1 Particulars of deposits		
In local currency	189,598,962	161,997,973
In foreign currencies	1,259,253	2,074,559
	190,858,215	164,072,532

19. Liabilities Against Assets Subject To Finance Lease

	2009			2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	8,269	1,875	6,394	14,430	3,657	10,773
Later than one year and not later than five years	14,818	1,305	13,513	23,706	3,847	19,859
	23,087	3,180	19,907	38,136	7,504	30,632

Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 14.90% to 15.35% per annum (2008: 12.22% to 17.02% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2009	2008
	(Rupees in '000)	
Year		
2009	-	14,430
2010	8,269	9,645
2011	5,957	7,714
2012	8,861	6,347
	23,087	38,136
Less: Financial charges for the future periods	3,180	7,504
	19,907	30,632

	Note	2009	2008
		(Rupees in '000)	
20. Other Liabilities			
Mark-up/ return/ interest payable in local currency		3,399,812	3,578,660
Mark-up/ return/ interest payable in foreign currency		470	5,030
Compensation payable on share deposit money		732,847	-
Accrued expenses		54,837	96,091
Unclaimed dividends		2,696	2,712
Branch adjustment account		-	351,898
Provision for gratuity	37.1.1	49,863	37,042
Provision for employees compensated absences	37.1.2	164,352	142,518
Provision against off-balance sheet obligations	20.1	1,488	1,488
Deficit on revaluation of forward contracts		-	3,483
Others		293,801	345,335
		<u>4,700,166</u>	<u>4,546,257</u>

20.1 Provision against off-balance sheet obligations

Opening balance	1,488	1,488
Charge for the year	-	-
Closing balance	<u>1,488</u>	<u>1,488</u>

21. Share Capital

21.1 Authorized Capital

2009	2008		2009	2008
Number	Number		(Rupees in '000)	
<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>

21.2 Issued, subscribed and paid up share capital

2009	2008	Ordinary shares of Rs. 10 each	2009	2008
Number	Number		(Rupees in '000)	
19,333,340	19,333,340	Balance as at January 01	193,333	193,333
509,464,036	403,704,561	Fully paid in cash	5,094,641	4,037,046
528,797,376	423,037,901	Issued as bonus shares	5,287,974	4,230,379
-	105,759,475	Issued during the year	-	1,057,595
-	105,759,475	Bonus shares	-	1,057,595
19,333,340	19,333,340	Closing balance	193,333	193,333
509,464,036	509,464,036	Fully paid in cash	5,094,641	5,094,641
528,797,376	528,797,376	Issued as bonus shares	5,287,974	5,287,974

21.3 Government of Punjab (GoPb) held 51% shares in the Bank as at 31 December 2009 (2008: 51%)

	Note	2009 (Rupees in '000)	2008
22. Reserves			
Statutory reserve	22.1	-	2,894,000
Share premium reserve		37,882	37,882
Restructuring reserve	22.2	535,897	-
General reserve		-	4,495,350
		<u>573,779</u>	<u>7,427,232</u>
22.1	In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank. Appropriation to statutory reserve has not been made as the Bank has suffered loss during the year.		
22.2	This represents the effect of the up gradation of category of classification upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.		
23. SHARE DEPOSIT MONEY			
The Bank has received Rs.10,000,000 (thousand) from Government of the Punjab (GOPb) as advance subscription money as explained in Note 1.2 Return on share deposit money is payable at the rate equal to 3 months weighted average T-Bill rate applicable during the period.			
24. Surplus / (Deficit) on Revaluation of Assets			
Surplus on revaluation of fixed assets	24.1	864,055	910,866
(Deficit) / Surplus on revaluation of Available-for-sale securities	24.2	(219,026)	(2,224,261)
		<u>645,029</u>	<u>(1,313,395)</u>
24.1	Surplus on revaluation of operating fixed assets as on 01 January		
		984,311	996,720
- Deficit on revaluation during the year		-	(12,409)
		<u>984,311</u>	<u>984,311</u>
Incremental depreciation			
-Opening balance		(20,778)	(15,206)
-Adjustment during the year		(11,188)	-
-Transferred to accumulated loss in respect of incremental depreciation charge during the year-net of tax		(7,502)	(5,572)
-Related deferred tax liability		(4,039)	-
Accumulated incremental depreciation-net of tax		<u>(43,507)</u>	<u>(20,778)</u>
Surplus on revaluation of operating fixed assets as on 31 December		940,804	963,533
Less: Related deferred tax liability			
-Opening balance		(52,667)	(60,010)
-Deferred tax on revaluation during the year		-	4,343
-Adjustment during the year		(28,121)	-
-Deferred tax recorded during the year		4,039	3,000
-Closing balance	13	<u>(76,749)</u>	<u>(52,667)</u>
		<u>864,055</u>	<u>910,866</u>
24.2	Deficit on revaluation of investments - available for sale securities		
Federal Government securities		(20,082)	(186,291)
Quoted securities		(7,880)	8,914
NIT Units		(120,763)	(1,251,972)
Mutual Funds		(152,301)	(1,685,499)
Term Finance Certificates		(934)	(3,460)
	10.1	<u>(301,960)</u>	<u>(3,118,308)</u>
Less:			
Related deferred tax asset	13	<u>(82,934)</u>	894,047
		<u>(219,026)</u>	<u>(2,224,261)</u>

25. Contingencies and Commitments

25.1 Direct Credit Substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2009	2008
	(Rupees in '000)	
- Financial institutions	-	5,366
- Others	3,162,896	5,864,887
	<u>3,162,896</u>	<u>5,870,253</u>

25.2 Transaction-related Contingent Liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

	2009	2008
	(Rupees in '000)	
- Government	2,137,378	3,016,907
- Financial institutions	230,664	182,681
- Others	12,703,017	16,980,271
	<u>15,071,059</u>	<u>20,179,859</u>

25.3 Trade-related Contingent Liabilities

These include letter of credit issued in favour of :

- Government	1,656,409	1,753,256
- Financial institutions	17,778	1,921
- Others	7,850,702	19,059,466
	<u>9,524,889</u>	<u>20,814,643</u>

25.4 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of inland revenue appeals {(CIT (A))}. CIT (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank and the Department has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the order of CIT (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,727 thousands. The Management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

	2009	2008
	(Rupees in '000)	
25.5 Other Contingencies		
Claims against the bank not acknowledge as debts	<u>4,877,227</u>	<u>1,438,764</u>
25.6 Commitments in respect of forward exchange contracts		
Purchase	546,671	1,166,728
Sale	756,899	1,423,981
	<u>1,303,570</u>	<u>2,590,709</u>
25.7 Commitments for the acquisition of operating fixed assets	<u>28,422</u>	<u>38,387</u>

	Note	2009 (Rupees in '000)	2008
26. Mark-up/Return/Interest earned			
a) On loans and advances to:			
i) Customers		11,699,519	14,804,748
ii) Financial institutions		4,550	42,178
b) On Investments in:			
i) Available for sale securities		3,006,168	2,011,307
ii) Held to maturity securities		250,700	588,299
c) On Deposits with financial institutions		68,321	56,767
d) On securities purchased under resale agreements		612,574	249,670
		<u>15,641,832</u>	<u>17,752,969</u>
27. Mark-up/Return/Interest expensed			
Deposits		17,527,998	15,322,204
Return on share deposit money		732,847	-
Securities sold under repurchase agreements		677,850	895,867
Other short term borrowings		83,799	395,929
		<u>19,022,494</u>	<u>16,614,000</u>
28. (Loss) / Gain on sale and redemption of securities			
NIT Units		-	630,720
Federal Government securities		11,336	-
Mutual funds units		(139,891)	93,557
Listed securities		4,317	-
Unlisted term finance certificates		-	9,510
		<u>(124,238)</u>	<u>733,787</u>
29. Other Income			
Rent on lockers		19,401	10,729
Net profit on sale of property and equipment	12.2.1	10,344	3,152
Service charges		234,414	212,725
Others		254,394	299,579
		<u>518,553</u>	<u>526,185</u>
30. Administrative Expenses			
Salaries, allowances, etc.		1,510,122	1,527,931
Contribution to defined contribution plans		62,093	42,117
Provision for gratuity	37.1.1	49,863	37,042
Provision for compensated absences	37.1.2	23,617	27,981
Non-executive directors' fees	38	2,275	30
Taxes, insurance, electricity, etc.		126,669	95,423
Legal and professional charges	30.1	44,349	29,226
Communications		91,737	66,191
Repairs and maintenance		69,673	49,558
Rent for bank premises	30.2	162,346	148,371
Finance charge on leased assets		3,395	4,454
Stationery and printing		76,700	51,524
Advertisement and publicity		16,427	64,761
Auditors' remuneration	30.3	4,984	3,937
Depreciation	12.2	303,847	215,783
Amortization on intangible assets	12.3	7,512	12,671
Traveling		43,561	45,228
Vehicle expenses		136,766	143,176
Cash remittance charges		32,477	21,101
Bank charges		75,228	60,723
Others		184,736	152,705
		<u>3,028,377</u>	<u>2,799,933</u>

30.1 This includes consultancy charges of Rs. 12,900 (thousand) (2008: NIL) previously classified as capital work in progress paid in relation to development of the Bank's software.

30.2 Operating lease

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

	Note	2009 (Rupees in '000)	2008
30.3 Auditors' remuneration			
Audit fee		1,750	1,551
Special certifications, half yearly review and others		1,634	1,386
Out-of-pocket expenses		1,600	1,000
		<u>4,984</u>	<u>3,937</u>
31. Other charges			
Penalties imposed by SBP		794	73,980
Workers' Welfare Fund		-	40,720
		<u>794</u>	<u>114,700</u>
32. Taxation			
For the year			
Current		-	207,600
Deferred		(4,372,218)	(6,981,001)
		(4,372,218)	(6,773,401)
For the prior year			
Current		78,491	1,052,000
Deferred		(11,188)	(1,052,000)
		67,303	-
		<u>(4,304,915)</u>	<u>(6,773,401)</u>

32.1 The Bank has suffered a loss during the year, therefore, numerical reconciliation between tax expense and accounting profit has not been presented.

	2009	2008
	(Rupees in '000)	
Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	87,196	37,042
Fair value of any plan assets	(37,333)	-
	49,863	37,042
Movement in payable to defined benefit plan		
Opening balance	37,042	-
Charge for the year	49,863	37,042
Contribution made	(37,042)	-
	49,863	37,042
Changes in present value of defined benefit obligations		
Opening balance	37,042	-
Current service cost	44,281	37,042
Interest cost	4,445	-
Benefit paid	(227)	-
Actuarial loss	1,655	-
	87,196	37,042
Changes in fair value of plan assets		
Opening balance	-	-
Contributions made	37,042	-
Benefits paid	(227)	-
Actuarial gain	518	-
	37,333	-
Charge for defined benefit plan		
Current service cost	44,281	37,042
Interest cost	4,445	-
Actuarial gains and losses recognized	1,137	-
	49,863	37,042
Actual return on plan assets	518	-
Composition of fair value of plan assets		
NIT Government Bond Fund	25,334	-
Cash at bank	11,999	-
	37,333	-

37.1.2 Compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.9.3 to these financial statements.

	2009	2008
	(Rupees in '000)	
Present value of defined benefit obligations	164,352	142,518
Movement in payable to defined benefit plan		
Opening balance	142,518	115,594
Charge for the year	23,617	27,981
Benefit paid	(1,783)	(1,057)
Closing balance	164,352	142,518
Charge for defined benefit plan		
Current service cost	17,812	15,758
Interest cost	21,377	11,559
Actuarial gains and losses recognised	(15,572)	664
	23,617	27,981

Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2009	2008	2007	2006	2005
	----- (Rupees in '000) -----				
Opening net liability	142,518	115,594	93,804	74,149	61,383
Net charge for the year	21,834	26,924	21,790	19,655	12,766
	164,352	142,518	115,594	93,804	74,149

38. Compensation of directors and executives

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President/ Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)								
Fees	-	-	-	-	2,275*	30*	-	-
Managerial remuneration	882	112	14,268	9,132	-	-	112,421	52,872
Bonus **	207	53	2,378	26,434	-	-	17,917	22,523
Rent and house maintenance	-	-	1,332	775	-	-	41,249	20,939
Utilities	-	-	1,200	572	-	-	10,912	5,268
Medical	-	-	-	76	-	-	10,008	5,218
Other allowances	846	159	-	725	-	-	1,585	6,218
	<u>1,935</u>	<u>324</u>	<u>19,178</u>	<u>37,714</u>	<u>2,275</u>	<u>30</u>	<u>194,092</u>	<u>113,038</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>10</u>	<u>6</u>	<u>136</u>	<u>80</u>

* This represents the fee paid to non-executive directors for attending the Board meetings.

** This represents regular bonus paid to staff on eve of Eids as per the Bank's policy.

President/Chief Executive Officer and Executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

39. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair values.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2009		2008	
	Book value	Fair value	Book value	Fair value
(Rupees in '000)				
On balance sheet items				
Assets				
Cash and balances with treasury banks	13,043,705	13,043,705	10,685,057	10,685,057
Balances with other banks	2,185,782	2,185,782	2,178,455	2,178,455
Lendings to financial institutions	1,053,550	1,053,550	633,333	633,333
Investments - net	57,960,105	57,517,796	22,711,980	22,698,380
Advances - net	121,315,799	121,315,799	131,731,158	131,731,158
Other assets	3,207,987	3,207,987	5,433,538	5,433,538
	<u>198,766,928</u>	<u>198,324,619</u>	<u>173,373,521</u>	<u>173,359,921</u>
Liabilities				
Bills payable	875,618	875,618	1,219,801	1,219,801
Borrowings	14,040,014	14,040,014	12,278,773	12,278,773
Deposits and other accounts	190,858,215	190,858,215	164,072,532	164,072,532
Liabilities against assets subject to finance lease	19,907	19,907	30,632	30,632
Other liabilities	4,700,166	4,700,166	4,564,257	4,564,257
	<u>210,493,920</u>	<u>210,493,920</u>	<u>182,165,995</u>	<u>182,165,995</u>
Off balance sheet financial instruments				
Forward sale of foreign exchange contracts	756,899	752,504	1,423,981	1,407,850
Forward purchase of foreign exchange contracts	546,671	544,460	1,166,728	1,161,564

Investments

All quoted investments have been stated at their market values except securities classified as held-to-maturity, which have been valued at their amortized cost. These held-to-maturity securities have market value of Rs. 2,298,802 (thousand) {2008: Rs. 2,807,364 (thousand)}. All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

Advances

Fair value of advances can not be determined with reasonable accuracy due to absence of current and active market. Advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations by the SBP.

Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Carrying values of deposits other than long term fixed deposits approximate their fair values as they are short term in nature or are frequently repriced.

Other financial instruments

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

40. Segment Details with respect to business activities

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
(Rupees in '000)						
2009						
Total income	4,988,321	1,300,037	11,096,070	404,186	71,967	17,860,581
Total expenses	2,917,212	3,750,245	25,486,581	68,555	11,908	32,234,501
Income taxes	-	-	-	-	-	(4,304,915)
Net income / (loss)	2,071,109	(2,450,208)	(14,390,511)	335,631	60,059	(10,069,005)
Segment assets (gross)	74,533,902	8,766,972	151,892,263	-	-	235,193,137
Segment non performing loans / investments	1,007,466	2,940,910	74,401,475	-	-	78,349,851
Segment provision required	1,007,466	1,196,078	29,003,525	-	-	31,207,069
Segment liabilities	12,961,163	31,712,934	165,819,823	-	-	210,493,920
Segment return on net assets (ROA) (%)	16.51%	23.98%	15.66%	-	-	-
Segment cost of funds (%)	10.26%	10.92%	11.45%	-	-	-
2008						
Total income	5,846,570	1,617,509	14,221,397	180,027	70,292	21,935,795
Total expenses	2,945,360	2,696,356	33,094,293	23,925	8,767	38,768,701
Income taxes	-	-	-	-	-	(6,773,401)
Net income / (loss)	2,901,210	(1,078,847)	(18,872,896)	156,102	61,525	(10,059,505)
Segment assets (gross)	38,691,820	9,984,635	153,756,146	-	-	202,432,601
Segment non performing loans / investments	372,912	1,791,767	40,897,570	-	-	43,062,249
Segment provision required	372,912	570,881	20,924,212	-	-	21,868,005
Segment liabilities	11,137,530	25,772,308	145,256,157	-	-	182,165,995
Segment return on net assets (ROA) (%)	22.07%	22.46%	14.47%	-	-	-
Segment cost of funds (%)	9.73%	9.56%	10.10%	-	-	-

41. Related Party Transactions

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders/members. The Bank in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 38.

	2009	2008
	(Rupees in '000)	
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Deposits in current account	<u>128</u>	<u>848</u>
Advances		
Outstanding at beginning of the year	9,100	-
Loans granted during the year	6,500	9,100
Repayments received during the year	<u>(1,500)</u>	<u>-</u>
Outstanding at the end of the year	<u>14,100</u>	<u>9,100</u>
Mark-up/return earned	<u>1,505</u>	<u>671</u>
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the year	1,041,116	452,210
Loans granted during the year	4,091,171	4,758,153
Repayments received during the year	<u>(4,158,972)</u>	<u>(4,169,247)</u>
Outstanding at the end of the year	<u>973,315</u>	<u>1,041,116</u>
Mark-up/return earned	<u>144,960</u>	<u>112,506</u>
Deposits in current account	<u>7</u>	<u>3,113</u>
Placement		
Outstanding at beginning of the year	300,000	-
Made during the year	1,200,000	1,100,000
Repaid/matured during the year	<u>(1,200,000)</u>	<u>(800,000)</u>
Outstanding at the end of the year	<u>300,000</u>	<u>300,000</u>
Mark-up/return earned	<u>43,562</u>	<u>40,360</u>
Lease liability		
Outstanding at beginning of the year	30,632	40,321
Lease contracts entered into during the year	-	-
Repayments made during the year	<u>(10,725)</u>	<u>(9,689)</u>
Outstanding at the end of the year	<u>19,907</u>	<u>30,632</u>
Security deposit receivable in respect of leases	-	-
Key Management Personnel		
Deposits		
Opening balances	5,624	1,688
Received during the year	136,366	64,511
Withdrawal during the year	<u>129,512</u>	<u>60,575</u>
Closing Balances	<u>12,478</u>	<u>5,624</u>
Mark-up / interest Expensed	<u>215</u>	<u>61</u>
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	<u>23,921</u>	<u>6,004</u>
Contribution to Employees Provident Fund	<u>46,725</u>	<u>42,117</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (2008: 51%) transactions with GOPb have not been treated as related party transactions for the purpose of this disclosure.

42. CAPITAL ADEQUACY

42.1 Scope of application

The Bank is the only entity in the Group to which Basel II capital adequacy framework applies. The Bank has only one subsidiary; Punjab Modaraba Services (private) Limited, whose financial statements are included in the consolidated financial statements.

42.2 Capital adequacy

The Basel II Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and also on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by 31 December 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital requirement (net of losses) as at 31 December 2009 is Rs. 6 billion. The Bank's paid-up capital (net of losses) as at 31 December 2009 is Rs. 4.96 billion, including share deposit money of Rs.10 billion deposited by the GOPb.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Bank's capital adequacy ratio as at 31 December 2009 is 3.87%. The SBP has given relaxation to the Bank for minimum required CAR as explained in Note 1.2.

The State Bank of Pakistan's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital, which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which includes general reserve for loan losses, revaluation reserves, exchange translation reserves and subordinated debts.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible upto 45 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

The Bank calculates capital requirement as per Basel II regulatory framework, using the following approaches:

Credit risk	Standardised Approach
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

	2009	2008
	(Rupees in '000)	
Tier 1 capital		
Paid up capital	5,287,974	5,287,974
Balance in share premium account	37,882	37,882
Share deposit money	10,000,000	-
General reserves	-	7,389,350
(Accumulated loss) / Unappropriated profit	(10,330,839)	(7,658,686)
	4,995,017	5,056,520
Deductions:		
50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	82,473	82,473
Deficit on account of revaluations	301,960	1,612,696
	384,433	1,695,169
Total eligible Tier I capital	4,610,584	3,361,351
Tier II Capital		
General provisions subject to 1.25% of total Risk Weighted Assets	561,195	47,635
Revaluation reserve (upto 45%)	290,263	-
	851,458	47,635
Deductions:		
50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	82,473	82,473
Total eligible Tier II capital	768,985	(34,838)
Tier III Capital	-	-
Total Eligible Capital	5,379,569	3,326,513

	2009	2008	2009	2008
	Capital Requirements		Risk Weighted Assets	
 (Rupees in '000)			
Credit Risk				
Claim on:				
Public sector entities	78,700	337,114	787,000	3,745,713
Claim on banks	94,819	-	948,192	-
Claims denominated in foreign currency, on banks with original maturity of 3 months or less	20,183	2,602	201,829	28,906
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	73,324	78,983	733,236	877,593
Corporates	5,324,994	8,648,156	53,249,941	96,090,627
Retail portfolio	676,255	892,816	6,762,551	9,920,177
Loans secured by residential property	40,351	36,724	403,512	408,048
Past due loans	3,056,372	1,977,820	30,563,718	21,975,781
Investment in fixed assets	342,727	292,683	3,427,267	3,252,038
Other assets	1,919,999	910,914	19,199,991	10,121,266
Off balance sheet - non-market related exposure	464,872	1,320,112	4,648,722	14,667,913
Off balance sheet - market related exposure	372	939	3,716	10,438
Equity exposure risk held in the Banking book	564,842	198,313	5,648,418	2,203,473
	12,657,810	14,697,176	126,578,093	163,301,973

	Capital Requirements		Risk Weighted Assets	
 (Rupees in '000)			
Market Risk				
Interest rate risk	243	-	3,038	-
Equity position risk	84,214	-	1,052,675	-
Foreign exchange risk	7,086	21,221	88,575	235,785
	91,543	21,221	1,144,288	235,785
Operational Risk	903,657	904,626	11,299,364	10,051,395
Total	13,653,010	15,623,023	139,021,745	173,589,153

	2009	2008
	(Rupees in '000)	
Capital Adequacy Ratio (CAR)		
Total eligible regulatory capital held	5,379,569	3,326,513
Total Risk Weighted Assets	139,021,745	173,589,153
CAR	3.87%	1.92%

43. Risk Management

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk.

43.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its exposures. These External Credit Assessments Institutions (ECAIs) have been approved by the SBP.

The Bank has not transferred public issue ratings, issued by PACRA and JCR-VIS, onto comparable assets in the banking book in its calculations, instead ECAI ratings and ECA scores are aligned with risk buckets as determined by the SBP.

Credit exposures subject to Standardized Approach:

Risk buckets	Amount Outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction	Net Amount
----- (Rupees in 000)-----			
0%	62,481,289	1,325,127	61,156,162
20%	5,120,001	169,378	4,950,623
35%	1,152,891	-	1,152,891
50%	15,498,141	1,386,042	14,112,099
75%	9,016,735	-	9,016,735
100%	116,192,187	29,158,477	87,033,710
150%	32,174,347	15,952,917	16,221,430
	241,635,591	47,991,941	193,643,650

43.1.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	5,381,829	3.55	5,575,537	2.92	-	-
Textile and ginning	42,953,242	28.35	948,763	0.50	3,549,215	12.79
Cement	5,669,013	3.74	12,844	0.01	6,500	0.02
Sugar	7,297,072	4.82	266,813	0.14	282,070	1.02
Financial	1,399,360	0.92	7,298,270	3.82	248,442	0.90
Construction and real estate	15,812,158	10.44	6,709,759	3.52	2,809,958	10.12
Oil and gas	614,370	0.41	1,475,621	0.77	594,142	2.14
Auto & allied	2,008,610	1.33	38,589	0.02	373,935	1.35
Food and allied	5,295,055	3.49	766,690	0.40	150,762	0.54
Chemical and pharmaceuticals	2,450,546	1.62	117,183	0.06	386,020	1.39
Fertilizers	1,682,783	1.11	3,129,696	1.64	788,900	2.84
Cable, electrical and engineering	11,351,297	7.49	1,358,206	0.71	2,436,140	8.78
Production and transmission of energy	3,378,377	2.23	116,508	0.06	5,633,923	20.30
Transport, Storage and Communication	4,262,971	2.81	12,031,013	6.30	1,116,157	4.02
Government:						
- Public Sector Enterprises	2,399,100	1.58	11,283,920	5.91	2,473,077	8.91
- Federal and Provincial Governments	12,969,339	8.56	92,815,901	48.63	3,793,787	13.67
Individuals	1,835,210	1.21	32,471,687	17.01	-	-
Trading and commerce	15,084,991	9.96	4,408,428	2.31	309,837	1.12
Services	3,748,679	2.47	3,903,974	2.05	477,582	1.72
Others	5,921,400	3.91	6,128,813	3.22	2,328,397	8.37
	151,515,402	100.00	190,858,215	100.00	27,758,844	100.00

43.1.2 Segment by sector

	2009					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public Sector / Government	15,368,439	10.14	104,099,821	54.54	6,266,864	22.58
Private	136,146,963	89.86	86,758,394	45.46	21,491,980	77.42
	151,515,402	100.00	190,858,215	100.00	27,758,844	100.00

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees in '000)		(Rupees in '000)	
Agribusiness	2,492,528	803,641	1,469,015	368,365
Textile and ginning	23,657,447	12,560,150	11,919,838	6,973,665
Cement	4,479,417	1,724,332	2,071,794	1,421,794
Sugar	1,689,329	457,532	124,156	31,039
Financial	244,817	244,817	259,438	259,438
Construction and real estate	12,159,356	4,878,158	8,345,638	3,839,354
Oil and gas	84,085	83,108	23,486	20,913
Auto & allied	1,649,839	762,365	1,482,970	767,783
Food and allied	3,216,476	1,502,049	2,777,475	1,465,842
Chemical and pharmaceuticals	604,828	115,223	103,574	41,762
Fertilizers	6,942	6,942	-	-
Cable, electrical and engineering	7,419,965	888,578	1,581,815	585,846
Production and transmission of energy	1,682,761	454,622	1,467,819	433,966
Transport, Storage and Communication	270,300	175,224	258,177	122,085
Government:				
- Public Sector Enterprises	1,500,000	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	244,301	182,399	215,450	177,089
Trading and commerce	10,289,635	3,325,200	6,205,925	2,975,050
Services	2,153,892	554,989	1,815,250	476,420
Others	3,496,467	1,454,976	2,567,517	1,487,047
	77,342,385	30,174,305	42,689,337	21,447,458

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

Public Sector / Government	1,500,000	-	-	-
Private	75,842,385	30,174,305	42,689,337	21,447,458
	77,342,385	30,174,305	42,689,337	21,447,458

43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The Bank's market risk can be further classified into interest rate risk, foreign exchange risk and equity position risk.

43.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

43.2.1.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2009												
Exposed to Yield / Interest risk												
Effective yield / interest rate	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years	Non-interest bearing financial instruments	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	13,043,705	296,586	-	-	-	-	-	-	-	12,747,119	
Balances with other banks	5.86%	2,185,782	745,681	-	-	-	-	-	-	-	1,440,101	
Lending to financial institutions	13.42%	1,053,550	91,528	728,689	25,000	50,000	158,333	-	-	-	-	
Investments	6.43%	57,960,105	2,009,209	15,111,583	28,366,534	899,886	468,622	133,845	1,923,212	848,616	7,828,299	
Advances	7.88%	121,315,799	3,640,943	111,350,073	6,302,967	-	-	-	-	-	21,816	
Other assets	-	3,207,987	-	25,000	-	-	5,000	-	-	-	3,177,987	
		<u>198,766,928</u>	<u>6,783,947</u>	<u>127,215,345</u>	<u>34,694,501</u>	<u>949,886</u>	<u>631,955</u>	<u>133,845</u>	<u>1,923,212</u>	<u>848,616</u>	<u>370,299</u>	<u>25,215,322</u>
Liabilities												
Bills payable	-	875,618	-	-	-	-	-	-	-	-	875,618	
Borrowings	12.22%	14,040,014	7,680,970	-	6,302,967	-	-	-	-	-	58,077	
Deposits and other accounts	9.76%	190,858,215	24,845,825	98,472,550	11,317,803	25,060,759	229,986	1,597,739	455,475	-	28,878,078	
Liabilities against assets subject to finance lease	15.55%	19,907	19,907	-	-	-	-	-	-	-	-	
Other liabilities	-	4,700,166	-	-	-	-	-	-	-	-	4,700,166	
		<u>210,493,920</u>	<u>32,546,702</u>	<u>98,472,550</u>	<u>17,620,770</u>	<u>25,060,759</u>	<u>229,986</u>	<u>1,597,739</u>	<u>455,475</u>	<u>-</u>	<u>34,509,939</u>	
On-balance sheet gap		<u>(11,726,992)</u>	<u>(25,762,755)</u>	<u>28,742,795</u>	<u>17,073,731</u>	<u>(24,110,873)</u>	<u>401,969</u>	<u>(1,463,894)</u>	<u>1,467,737</u>	<u>848,616</u>	<u>370,299</u>	<u>(9,294,617)</u>
Off-balance sheet financial instruments												
Forward foreign exchange contracts												
- purchase		546,671	291,876	254,795	-	-	-	-	-	-	-	
- sale		756,899	542,228	214,671	-	-	-	-	-	-	-	
Off-balance sheet gap		<u>(210,228)</u>	<u>(250,352)</u>	<u>40,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total yield/interest risk sensitivity gap			<u>(26,013,107)</u>	<u>28,782,919</u>	<u>17,073,731</u>	<u>(24,110,873)</u>	<u>401,969</u>	<u>(1,463,894)</u>	<u>1,467,737</u>	<u>848,616</u>	<u>370,299</u>	<u>(9,294,617)</u>
Cumulative yield/interest risk sensitivity gap			<u>(26,013,107)</u>	<u>2,769,812</u>	<u>19,843,543</u>	<u>(4,267,330)</u>	<u>(3,865,361)</u>	<u>(5,329,255)</u>	<u>(3,861,518)</u>	<u>(3,012,902)</u>	<u>(2,642,603)</u>	<u>(11,937,220)</u>

43.2.2 Foreign exchange risk management

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration.

2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency
(Rupees in '000)				
Pakistan Rupee	215,723,337	209,178,590	210,228	6,754,975
United States Dollar	553,025	920,832	(134,112)	(501,919)
Great Britain Pound	123,183	116,450	(5,036)	1,697
Japanese Yen	3,435	-	-	3,435
Euro	254,397	237,359	(71,080)	(54,042)
Others	12,486	40,689	-	(28,203)
	<u>216,669,863</u>	<u>210,493,920</u>	<u>-</u>	<u>6,175,943</u>

43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Bank prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

43.3 Liquidity Risk

43.3.1 Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Bank are given significant importance.

43.3.2 Maturities of Assets and Liabilities

2009

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	
Assets										
Cash and balances with treasury banks	13,043,705	13,043,705	-	-	-	-	-	-	-	-
Balances with other banks	2,185,782	2,185,782	-	-	-	-	-	-	-	-
Lending to financial institutions	1,053,550	91,528	728,689	25,000	50,000	158,333	-	-	-	-
Investments	57,960,105	2,009,209	8,659,604	22,137,034	1,651,070	2,328,431	2,699,020	16,498,944	1,392,717	584,076
Advances	121,315,799	38,874,235	15,991,793	5,673,779	7,795,965	6,647,074	7,499,546	14,362,602	16,923,985	7,546,820
Operating fixed assets	3,427,267	25,947	51,893	77,840	155,680	311,359	311,359	622,718	1,556,795	313,676
Deferred tax assets	11,921,146	-	-	-	-	-	-	11,921,146	-	-
Other assets	5,762,509	3,224,746	210,357	74,979	2,110,531	141,896	-	-	-	-
	216,669,863	59,455,152	25,642,336	27,988,632	11,763,246	9,587,093	10,509,925	43,405,410	19,873,497	8,444,572
Liabilities										
Bills payable	875,618	875,618	-	-	-	-	-	-	-	-
Borrowings	14,040,014	7,737,047	-	6,302,967	-	-	-	-	-	-
Deposits and other accounts	190,858,215	42,011,418	36,266,112	23,893,866	37,089,717	10,065,202	11,961,577	10,772,586	9,398,869	9,398,868
Liabilities against assets subject to finance lease	19,907	497	1,013	1,568	5,268	5,858	5,703	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,700,166	4,440,506	-	-	-	4,725	-	254,935	-	-
	210,493,920	55,065,086	36,267,125	30,198,401	37,094,985	10,075,785	11,967,280	11,027,521	9,398,869	9,398,868
Net assets	6,175,943	4,390,066	(10,624,789)	(2,209,769)	(25,331,739)	(488,692)	(1,457,355)	32,377,889	10,474,628	(954,296)
Share capital	5,287,974									
Reserves	573,779									
Accumulated loss	(10,330,839)									
	(4,469,086)									
Share deposit money	10,000,000									
	5,530,914									
Surplus on revaluation of assets	645,029									
	6,175,943									

43.3.3 Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

43.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Bank has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

44. Date of authorization for issue

These financial statements were authorized for issue on 29 March 2012 by the Board of Directors of the Bank.

45. General

45.1 These financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by the SBP vide BSD Circular No. 04 dated 17 February 2006.

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

45.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

Chairman

President

Director

Director

**Statement showing written-off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended December 31, 2009**

(Rs in '000)

S. No.	Name and address of the borrower	Name of individuals/partners/directors with NIC No.	Father's/Husband's name	Branch Name	Region	Outstanding liabilities at beginning of year					Principal written-off	Interest /Mark up capitalized written-off	Interest /Markup written-off	Other financial relief provided	Total
						Principal	Interest/Mark up capitalized	Interest/markup	Others	Total					
1	Ariat Cotton Ginning & Pressing Factory Garha More Road, Mitroo, Tehsil Malisi, Distt Vehari	1) Naseer Khan 325-29-156272 2) Muhammad Murtaza 325-59-156274 3) Muhammad Mustafa 325-58-156275	1) Mian Qadir Baksh 2) Naseer Khan 3) Naseer Khan	Tibba Sultanpur	Multan	3,617	-	-	3,540	7,157	1,017	-	-	-	1,017
2	Dilkhush Hoisery Mills Ltd. Opp. Rehmania Mills Jhang Road, Faisalabad	1-Arshad Mansoor Elahi 33100-555609-5 2- Mrs. Sabina Elahi 33100-3643302-8	1-Akram Elahi 2- Maqsood Elahi	Railway Road, Faisalabad	Faisalabad	27,487	-	4,202	6,750	36,439	-	2,735	-	-	2,735
3	Syed Mazhar Hussain Noor Shah, Gelani, Kahror Pakka	Syed Mazhar Hussain 326-66-174630	S/o Syed Shabbir Hussain Shah	Kahror Pakka	Multan	450	362	333	-	1,145	-	362	-	-	695
4	Ghulam Ahmad Chishti Chak Bhulawal Depalpur	Ghulam Ahmad Chishti 35301-1932275-9	S/o Masood Ahmed Chishti	Mandi Road Okara	Lahore	3,076	1,409	-	-	4,485	-	767	-	-	767
5	Ishiaq Ahmad Moza Khajoor wala p/o Hujrah shah Muqem Distt Okara	Ishiaq Ahmad 35301-1913157-7	S/o Muhammad Sharif	Depalpur	Lahore	2,037	801	662	10	3,510	-	662	-	-	662
6	Shabbir Ahmed Mouza Swaira, P.O. Ahmedpur Lamma, Sadqabab	Shabbir Ahmed 31304-21090573	S/o Mohib Ali	Sadqabab	Multan	1,100	78	598	-	1,776	-	598	-	-	598
7	Muhammad Aslam R/O Adhi Sarqal Tehsil Noorpur Dist. Khushab	Muhammad Aslam 38202-9004052-3	S/o Malik Said Rasool Salhal	Jouharabad	Faisalabad	1,300	592	-	-	1,892	-	592	-	-	592
			TOTAL			39,067	3,242	5,795	10,300	58,404	1,017	2,383	3,666	-	7,066

1. Ordinary shares / certificates of listed companies and modarabas - at cost

Number of shares		Name of company/modaraba	2009	2008
2009	2008		(Rupees in '000)	
Held for Trading				
400,000	-	Jahangir Siddiqui Bank Limited	2,141	-
25,000	-	Arif Habib Securities Limited	1,192	-
175,000	-	National Bank of Pakistan	12,858	-
70,000	-	Pakistan State Oil	20,876	-
25,000	-	Lucky Cement Limited	1,658	-
1,700,000	-	PTCL-A	31,207	-
			<u>69,932</u>	<u>-</u>
Available for Sale				
709,996	-	Faysal Bank Limited	12,527	-
4,610,400	4,610,400	First Credit and Investment Bank	46,104	46,104
978,000	978,000	First National Bank Modarba	9,780	9,780
975,000	-	Hub Power Company Limited	30,236	-
3,881,537	3,881,537	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	99,907	99,907
500	500	Trust Modarba	6	6
1,100,000	-	World Call Telecom Limited	3,849	-
3,822,698	3,822,698	Zephyr Textiles Limited	38,227	38,227
			<u>240,636</u>	<u>194,024</u>
			<u>310,568</u>	<u>194,024</u>

2. Preference shares of listed companies - at cost

Number of shares		Name of company	2009	2008
2009	2008			
3,090,794	3,090,794	Azgard Nine Limited	30,908	30,908
2,500,000	2,500,000	Fazal Cloth Mills Limited	25,000	25,000
8,000,000	8,000,000	Pak Elektron Limited (PEL)	80,000	80,000
7,500,000	7,500,000	Shakarganj Mills Limited	75,000	75,000
			<u>210,908</u>	<u>210,908</u>

Other particulars of preference shares are as follows:

Name of company	Nominal value per share	Dividend rate per annum	Dividend payment	Redemption terms
Azgard Nine Limited	10	Fixed dividends at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Fazal cloth mills Limited	10	Fixed dividends at six month Kibor ask side + 250 bps per annum.	Annually	Issuer may redeem at its option the whole or minimum 20% of the outstanding face value at any time after completion of three years from the date of issue by giving atleast 60 days notice.
Pak Elektron Limited (PEL)	10	Fixed dividend of 9.50% per annum payable if and when declared by the company on a cumulative basis.	Annually	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each

3. Ordinary shares of unlisted company - at cost

Number of shares		Name of company	2009	2008
2009	2008		(Rupees in '000)	
2,000,000	2,000,000	Emirates Global Islamic Bank (Chief Executive Officer: Mr. Syed Tariq Hussain)	25,000	25,000

4. Investment in mutual funds units - at cost

Number of Units		Name of fund	2009	2008
2009	2008		(Rupees in '000)	
Open ended mutual funds				
19,721,532	-	ABL Income Fund	200,000	-
200,000	940,676	AKD Income Value Fund	10,630	50,000
-	866,961	AKD Opportunity Fund	-	43,755
-	3,870,397	Alfalah GHP Multiplier Fund	-	198,842
-	9,482,165	AMZ Plus Income Fund	-	1,050,000
2,631,770	2,631,770	AMZ Plus Stock Market Fund	246,729	246,729
-	500,000	Askari Asset Allocation Fund	-	50,000
279,705	279,705	Atlas Income Fund	150,000	150,000
-	54,999	Atlas Islamic Fund	-	25,000
297,082	297,082	Atlas Stock Market Fund	200,000	200,000
-	10,051,318	BMA Chundrigar Road Saving Fund	-	100,000
-	673,653	Crosby Dragon Fund	-	94,019
-	616,366	Faysal Balanced Growth Fund	-	68,547
17,071,047	17,071,047	Faysal Saving Growth	1,800,000	1,800,000
879,062	879,062	First Habib Income Fund	94,183	94,183
246,403	961,730	IGI Income Fund	25,000	100,000
250,822	250,822	IGI Stock Fund	25,000	25,000
159,061	159,061	JS - Islamic Fund	111,368	111,368
-	500,000	JS - A30 + Fund	-	25,000
-	512,280	JS - Aggressive Asset Allocation Fund	-	50,000
-	1,122,993	JS - Capital Protected Fund	-	100,000
-	137,440	JS - Fund of Funds	-	12,500
-	18,487,017	JS - Income Fund	-	2,065,037
-	545,136	JS - Capital Protected Fund II	-	50,000
-	105,468	JS - Capital Protected Fund III	-	10,000
2,506,335	3,924,052	KASB Balanced Fund	127,217	200,000
1,127,446	1,127,446	KASB Liquid Fund	125,000	125,000
881	1,782,248	KASB Stock Market Fund	-	100,000
1,618,287	1,807,640	MCB Dynamic Stock Fund	200,000	223,402
-	28,631,638	NAFA Cash Fund	-	305,021
16,873,263	16,873,263	NAFA Stock Fund	200,000	200,000
594,549	513,250	NAMCO Income Fund	50,000	50,000
2,012,657	2,047,895	Pakistan International Element Islamic Fund	96,913	100,000
1,901,203	1,901,203	Pakistan Stock Market Fund	170,803	170,803
-	500,000	Pakoman Advantage Islamic Fund	-	25,000
-	500,000	Pakoman Advantage Islamic Income Fund	-	25,000
14,370,315	14,370,315	POBOP Advantage Fund	750,000	750,000
8,390,906	8,390,906	Reliance Income Fund	450,000	450,000
2,091,500	2,091,500	Unit Trust of Pakistan	369,246	369,246
2,747,393	7,703,383	United Growth & Income Fund	294,234	825,000
Close ended mutual funds				
1,253,700	1,253,700	Atlas Fund of Funds	11,940	11,940
20,000,000	20,000,000	JS - Large Capital Fund (ABAMCO Composite Fund)	200,000	200,000
7,500,000	7,500,000	NAMCO Balance Fund	75,000	75,000
42,640,000	40,000,000	Pakistan Capital Protected Fund	400,000	400,000
17,500,000	17,500,000	Pakistan Strategic Allocation Fund	175,250	175,250
				-
			6,558,515	11,500,642

4.1 Core Investments in mutual Funds

Name of Fund	Retention upto	Core Investment (Rupees in '000)
NAMCO Income Fund	23-Apr-2010	50,000

5. Listed Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company/modaraba	2009	2008
2009	2008	(Rupees in '000)		(Rupees in '000)	
-	10,000	5	Al-Zamin Leasing Modaraba - 2nd issue (Formerly Crescent Leasing Corp. Ltd.)	-	10,000
10,000	-	5	Askari Bank	50,000	-
7,369	-	5	Azgard Nine Limited	25,969	-
35,000	-	5	Bank AL Habib Limited	174,930	-
2,000	2,000	5	Bank AL Habib Limited - 1st issue	9,980	9,984
10,000	-	5	Engro Chemical Pak Ltd	48,836	-
1,178	-	5	Jahangir Siddiqui & Co Ltd	6,019	-
336	-	5	Jahangir Siddiqui & Co Ltd	1,228	-
5,000	-	5	Jahangir Siddiqui & Co Ltd	24,968	-
13,886	-	5	JS ABAMCO	52,052	-
-	13,886	5	JS Investments Limited - class A	-	63,619
3,406	-	5	NIB Bank Ltd	14,080	-
40,000	40,000	5	Orix Leasing Pakistan Limited	166,533	199,880
16,655	-	5	Pak Arab Fertilizers Ltd	71,188	-
10,000	10,000	5	Standard Chartered Bank (Pakistan) Limited - 2nd issue	34,960	47,420
-	12,000	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	-	9,742
4,516	4,516	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	4,516	11,290
8,782	-	5	United Bank Limited	37,417	-
10,000	10,000	5	United Bank Limited - 1st issue	49,904	49,923
6,000	6,000	5	World Call Communication	19,984	29,976
				792,564	431,834

Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual installment of 24.92% each starting from the 102nd from issue date.
Azgard Nine Limited	6 months KIBOR + 240 bps without any floor or cap.	Semi-annually	In ten unequal semi-annual installments starting from 30th month.
Bank AL Habib Limited	15.50% for the first five years and 16.00% for the next three years without any floor or cap	Quarterly	0.56% of principal in the first 84 months and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from issue date
Bank AL Habib Limited - 1st issue	Average 6 months KIBOR + 150 bps with a Floor of 3.50% and Cap of 10.00%.	Semi-annually	0.02% of principal in the first 78 months and remaining principal in three equal semi-annual installments of 33.25% each after 84th month from issue date.
Engro Chemical Pak Ltd	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84 months and remaining principal in two equal semi- annual installments of 49.86% starting from 90th month.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.1% of principal in the first 30 months, 24.98% of principal from 36th month till the 54th month and remaining principal of 74.92% in the 60th month from the issue date.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 25 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.
JS ABAMCO	6 months KIBOR + 200 bps with a Floor of 8.00% . and Cap of 16.00%	Semi-annually	In 12 equal semi-annual installments starting from 18th month.
NIB Bank Ltd	6 months KIBOR + 115 bps without any floor or cap.	Semi-annually	0.02% of principal in the first 60th month and remaining principal in six equal semi-annual installments of 16.66% each starting from 66th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pak Arab Fertilizers Ltd	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	In six stepped - up semi-annual installments starting from the 30th month.
Standard Chartered Bank (Pakistan) Limited - 2nd issue	Last cut-off yield of 5-year PIBs auction + 75 bps with a Floor of 5.00% and Cap of 10.75%.	Semi-annually	0.16% of principal in the first 48 months, 10.00% of principal from 54th month till the 60th month and remaining principal in two equal semi-annual installments of 44.92% starting from 66th month from the issue date.
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	6 months KIBOR + 200 bps without any floor or cap.	Semi-annually	In 10 equal semi-annual installments starting from 6th month.
United Bank Limited	6 months KIBOR + 85 bps for the first five year and 6 months KIBOR + 135 bps for the remaining period without any floor or cap	Semi-annually	Bullet redemption at the end of 10th year.
United Bank Limited - 1st issue	Fixed at 100 bps + trading yield of 8-year PIBs as quoted on Reuters page 'PKRV'	Semi-annually	0.25% of principal in the first 78th month and remaining principal in three equal semi-annual installments of 33.25% each starting from 84th month from the issue date.
World Call Communication	6 months KIBOR + 275 bps without any floor or cap.	Semi-annually	In six equal semi-annual installments starting from 30th month.

6. Unlisted Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company	2009	2008
2009	2008	Rupees in '000'		Rupees in '000'	
100,000	100,000	5	Azgard Nine Limited	499,700	499,800
-	5,000	5	Azgard Nine Limited - 2nd issue	-	22,892
-	10,000	5	Azgard Nine Limited	-	12,500
7,000	-	5	Al Abbas Sugar Millis	26,456	-
10,000	-	5	Bank alfalah Limited	50,000	-
-	15,000	5	Crescent Steel and Allied Products Limited - 1st issue	-	9,375
80,000	-	5	Eden House(SUKUK)	344,183	-
12,521	-	5	Engro Chemical Pak Ltd	48,832	-
-	5,000	30	Escorts Investment Bank Limited - 1st issue	-	49,960
80,000	80,000	5	JDW Sugar Mills Limited	400,000	400,000
5,000	5,000	5	Jahangir Siddiqui & Co Ltd	21,794	24,980
-	13,686	5	Jamshoro Joint Venture Limited	-	12,500
6,114	6,114	5	JS ABAMCO	30,539	30,552
20,000	-	5	Kohat Cement(SUKUK)	72,450	-
23,951	-	5	Maple Leaf Cement Factory Ltd	107,779	-
2,661	-	5	Optimus Ltd	12,255	-
798	-	100	Orix Leasing Pakistan Limited	79,703	-
33,000	-	5	Pak American Fertilizer Ltd	131,881	-
8,516	-	5	Pak American Fertilizer Ltd	38,455	-
26,000	26,000	5	Pakistan Mobile Company Limited - 3rd issue	129,818	129,870
-	10,000	5	Pakistan Mobile Communication - 1st issue	-	30,000
12,774	-	5	Pakistan Mobile Communication	60,748	-
8,000	-	5	PEL(Sukuk)	32,626	-
16,000	-	5	PEL(Sukuk)	70,743	-
50,000	-	5	PEL(Sukuk)	250,000	-
90,000	-	5	PEL(Sukuk)	450,000	-
21,000	21,000	5	Pakistan International Airline (PIA)	74,355	74,371
10,000	-	5	Security Leasing(SUKUK)	33,989	-
15,000	-	5	Security Leasing(SUKUK)	42,635	-
3,000	-	5	SME Leasing	7,594	-
10	10	15,000	Syed Bhai (Pvt) Ltd	148,297	150,000
260,000	260,000	5	Pak American Fertilizer	1,299,220	1,299,740
300,000	-	5	Sui Southern Gas Company	1,500,000	-
500,000	-	5	Power Holding	2,500,000	-
32,000	-	5	Arzoo Textile	160,000	-
				8,624,052	2,746,540

Other particulars of unlisted TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Azgard Nine Limited - 1st issue	6 months KIBOR + 225 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Al-Abbas Sugar Mills Limited	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	In 10 equal semi-annual installments starting from 18th month from the issue date.
Bank Alfalah limited	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden House(SUKUK)	6 months KIBOR + 250 bps with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pak Ltd	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
JDW Sugar Mills	3 months KIBOR + 125 bps without any floor or cap	Quarterly	In eighteen unequal quarterly installments starting from 21st month of the first drawdown.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
JS ABAMCO	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
Kohat Cement(SUKUK)	6 months KIBOR + 180 bps without any floor or cap	Semi-annually	In ten semi-annual installments with the last falling due on September 2012.
Maple Leaf Cement Factory Ltd	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	In eight stepped-up semi-annual installments starting from 30th month from the date of contribution.
Optimus Ltd	6 months KIBOR + 210 bps without any floor or cap	Semi-annually	0.12% of principal in the first 36th month and remaining principal in four equal semi-annual installments of 24.97% each starting from 42th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pak American Fertilizer Ltd (Sukuk)	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Pak American Fertilizer Ltd	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	Up to ten consecutive equal semi-annual installments starting from 30th month from the issue date.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Pakistan Mobile Company-3rd issue	6 months KIBOR (ask) + 285 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 54th month.
Pakistan Mobile Communication	6 months KIBOR + 130 bps without any floor or cap	Semi-annually	In two equal semi-annual installments starting from 30th month.
PEL (Sukuk)	3 months KIBOR (ask) + 175 bps with a Floor of 10.00% and Cap of 25.00%	Quarterly	In fourteen quarterly units, the first unit falling due not later than end of seventh quarter from the issue date.
PEL (Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Quarterly	In not less than sixteen quarters starting not later than 39th month of 1st drawdown.
PEL(Sukuk)	6 months KIBOR + 300 bps without any floor or cap	Semi-annually	In twelve unequal semi-annual installments starting from 6th month from the issue date.
PEL(Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Semi-annually	In sixteen quarterly units, the first unit falling due not later than end of 39th month from the issue date.
Pakistan International Airline (PIA)	SBP discount rate + 50 bps with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Security Leasing(SUKUK)	6 months KIBOR + 200 bps with a Floor of 2.00% . and Cap of 40.00%	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing(SUKUK)	6 months KIBOR + 195 bps without any floor or cap	Semi-annually	In eight equal semi-annual installments starting from 18th month.
SME Leasing	3 months KIBOR + 150 bps without any floor or cap	Quarterly	Up to twelve equal quarterly installments starting from 3rd month from the issue date.
Syed Bahis (Pvt) Ltd	3 months KIBOR (ask) + 300 bps without any floor or cap	Quarterly	In sixteen equal quarterly installments starting from 27th month from the issue date.
Pak American Fertilizer	3 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Sui Southern Gas Company	3 months KIBOR (ask) + 24 bps with a Floor of 5.00% and Cap of 20.00%	Quarterly	Not less than eight consecutive quarterly units the first unit falling due not later than 33rd month from the last draw down date.
Power Holding	6 months KIBOR (ask) + 200 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 30th month from the issue date.
Arzoo Textile (Sukuk)	6 months KIBOR + 200 bps for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.

7. Subsidiary

Punjab Modaraba Services (Private) Limited

16,495,100 (2008: 16,495,100) ordinary shares of Rs. 10 each

Holding: 100% (2008: 100%)

Period of financial statements - 31 December 2009

Break up value of investment based on latest audited financial statements is

Rs. 123,701 thousand (2008: Rs. 149,374 thousand).

8. Quality of available-for-sale securities

	2009		2008	
	Market value (Rupees in '000)	Rating	Market value (Rupees in '000)	Rating
Federal government securities				
Market Treasury Bills	32,838,016	Un-rated	1,928,446	Un-rated
Pakistan Investment Bonds	1,228,540	Un-rated	557,379	Un-rated
Government of Pakistan Ijara Sukuk Bonds	10,099	Un-rated	9,540	Un-rated
	<u>34,076,655</u>		<u>2,495,365</u>	
Ordinary shares of listed companies				
First Credit and Investment Bank Limited	15,445	Un-rated	13,785	Un-rated
First National Bank Modaraba	3,393	A+, A-1	2,934	A+, A-1
Faysal Bank Limited	12,354	Un-rated	-	
Hub Power Company Limited	30,469	Un-rated	-	
Trust Investment Bank Limited (Formerly Trust Leasing and Investment Bank Limited)	22,124	A-, A2	124,132	A-, A2
Trust Modaraba	1	Un-rated	-	
World Call Telecom Limited	4,103	Un-rated	-	
Zephyr Textile Limited	12,615	Un-rated	8,104	Un-rated
	<u>100,504</u>		<u>148,955</u>	
Preference shares of listed companies				
Azgard Nine Limited	30,290	A+, A1	86,851	A+, A1
Fazal Cloth Mills Limited	25,000	Un-rated	25,000	Un-rated
Pak Elektron Limited (PEL)	80,000	A, A1	80,000	A, A1
Shakarganj Mills Limited	67,425	BBB+, A2	76,500	BBB+, A2
	<u>202,715</u>		<u>268,351</u>	
Listed Term Finance Certificates				
Al-Zamin Leasing Modaraba - 2nd issue (Formerly Crescent Leasing Corporation Limited)	-		9,784	Un-rated
Askari Bank	48,679	AA	-	
Azgard Nine Limited	27,499	AA-	-	
Bank AL Habib Limited	174,930	AA	-	
Bank AL Habib Limited - 1st issue	9,162	AA	9,823	AA-
Engro Chemical Pak Ltd	45,417	Un-rated	-	
Jahangir Siddiqui & Co Ltd	6,028	AA+	-	
Jahangir Siddiqui & Co Ltd	1,372	AA+	-	
Jahangir Siddiqui & Co Ltd	25,571	AA+	-	
JS ABAMCO	50,857	Un-rated	-	
JS Investments Limited - class A	-		64,000	AA+
NIB Bank Ltd	15,620	A	-	
Orix Leasing Pakistan Limited	167,236	AA+	202,738	AA+
Pak Arab Fertilizers Ltd	78,159	AA	-	
Standard Chartered Bank (Pakistan) Limited - 2nd issue	34,241	AAA	46,898	AAA
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	-		9,095	AA-
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	4,328	A	11,962	A
United Bank Limited	38,694	AA	-	AA-
United Bank Limited - 1st issue	44,284	AA	43,683	AA
World Call Communication	19,553	A	30,390	AA-
	<u>791,630</u>		<u>428,373</u>	

Annexure-II

	2009		2008	
	Carrying value	Rating	Cost	Rating
	Rupees in '000'		Rupees in '000'	
Unlisted Term Finance Certificates				
Azgard Nine Limited	499,700	AA-	499,800	AA-
Azgard Nine Limited - 2nd issue	-		22,892	A1+
Azgard Nine Limited	-		12,500	AA-
Al Abbas Sugar Millis	26,456	A+	-	
Bank alfalah Limited	50,000	AA-	-	
Crescent Steel and Allied Products Limited - 1st issue	-		9,375	AA-
Eden House(SUKUK)	344,183	Un- Rated	-	
Engro Chemical Pak Ltd	48,832	AA	-	
Escorts Investment Bank Limited - 1st issue	-		49,960	A+
JDW Sugar Mills Limited	400,000	A	400,000	Un- Rated
Jahangir Siddiqui & Co Ltd	21,794	AA+	24,980	AA+
Jamshoro Joint Venture Limited	-		12,500	AA+
JS ABAMCO	30,539	AA-	30,552	AA-
Kohat Cement(SUKUK)	72,450	Un- Rated	-	
Maple Leaf Cement Factory Ltd	107,779	D	-	
Optimus Ltd	12,255	A	-	
Orix Leasing Pakistan Limited	79,703	AA+	-	
Pak American Fertilizer Ltd	131,881	A+	-	
Pak American Fertilizer Ltd	38,455	A+	-	
Pakistan Mobile Company Limited - 3rd issue	129,818	AA-	129,870	AA-
Pakistan Mobile Communication - 1st issue	-		30,000	AA-
Pakistan Mobile Communication	60,748	AA-	-	
PEL(Sukuk)	32,626	A	-	
PEL(Sukuk)	70,743	A	-	
PEL(Sukuk)	250,000	A+	-	
PEL(Sukuk)	450,000	A+	-	
Pakistan International Airline (PIA)	74,355	Un-Rated	74,371	Un- Rated
Security Leasing(SUKUK)	33,989	Un-Rated	-	
Security Leasing(SUKUK)	42,635	Un-Rated	-	
SME Leasing	7,594	Un-Rated	-	
Syed Bhai (Pvt) Ltd	148,297	Un-Rated	150,000	Un- Rated
Pak American Fertilizer	1,299,220	A+	1,299,740	Un- Rated
Sui Southren Gas Company	1,500,000	AA	-	
Power Holding	2,500,000	Un-Rated	-	
Arzoo Textile	160,000	Un-Rated	-	
	8,624,052		2,746,540	

Annexure-II

	2009		2008	
	Market value Rupees in '000'	Rating	Market value Rupees in '000'	Rating
Mutual Funds				
NIT Units	5,625,161	5-Star	4,174,315	5-Star
Open ended mutual funds				
ABL Income Fund	197,399	AA,A+(f)	-	
AKD Income Value Fund	9,247	BBB(f)	40,616	A- (f)
AKD Opportunity Fund	-	25,575		Un-rated
Alfalah GHP Multiplier Fund	-	187,948		Un-rated
AMZ Plus Income Fund	-		888,219	5-Star
AMZ Plus Stock Market Fund	159,091	2-Star	197,751	3-Star
Askari Asset Allocation Fund	-		22,975	Un-rated
Atlas Income Fund	144,375	4-Star	133,869	5-Star
Atlas Islamic Fund	-		14,266	Un-rated
Atlas Stock Market Fund	137,323	5-Star	73,174	5-Star
BMA Chundrigar Road Saving Fund	-		97,312	A (f)
Crosby Dragon Fund	-		45,276	Un-rated
Faysal Balanced Growth Fund	-		41,253	Un-rated
Faysal Saving Growth	1,756,781	A (f)	1,772,999	A (f)
First Habib Income Fund	90,816	Un-rated	85,577	Un-rated
IGI Income Fund	26,005	Un-rated	95,964	Un-rated
IGI Stock Fund	34,872	Un-rated	25,481	Un-rated
JS - Islamic Fund	60,804	4-Star	43,545	4-Star
JS A30 + Fund	-		9,646	4-Star
JS Aggressive Asset Allocation Fund	-		20,419	4-Star
JS ABAMCO Capital Protected Fund	-		107,414	Un-rated
JS Fund of Funds	-		10,704	4-Star
JS Income Fund	-		1,868,668	5-Star
JS-Capital Protected Fund II	-		54,525	Un-rated
JS-Capital Protected Fund III	-		10,473	Un-rated
KASB Balanced Fund	112,735	Un-rated	149,506	Un-rated
KASB Liquid Fund	99,879	Un-rated	100,140	Un-rated
KASB Stock Market Fund	-	Un-rated	46,784	Un-rated
MCB Dynamic Stock Fund	162,445	Un-rated	95,095	Un-rated
NAFA Cash Fund	-		272,470	A (f)
NAFA Stock Fund	121,622	Un-rated	91,846	Un-rated
NAMCO Income Fund	61,154	Un-rated	52,623	Un-rated
Pakistan International Element Islamic Fund	97,976	3-Star	65,881	4-Star
Pakistan Stock Market Fund	117,589	5-Star	72,607	5-Star
Pakoman Advantage Islamic Fund	-		24,920	Un-rated
Pakoman Advantage Islamic Income Fund	-		25,270	Un-rated
POBOP Advantage Fund	698,369	Un-rated	671,329	Un-rated
Reliance Income Fund	332,918	Un-rated	390,056	Un-rated
Unit Trust of Pakistan	239,498	5-Star	162,300	5-Star
United Growth & Income Fund	278,703	A (f)	736,122	A (f)
Close ended mutual funds				
Atlas Fund of Funds	4,388	5-Star	4,138	5-Star
JS-Large Capital Fund (ABAMCO Composite Fund)	92,000	5-Star	64,800	4-Star
NAMCO Balance Fund	35,400	Un-rated	70,875	Un-rated
Pakistan Capital Protected Fund	400,000	Un-rated	426,400	Un-rated
Pakistan Strategic Allocation Fund	77,700	4-Star	48,300	4-Star
	11,174,250		13,619,426	

The above ratings represent instrument ratings for the respective securities. Wherever instrument ratings are not available, un-rated have been disclosed. Two ratings in one column represent long-term and short-term ratings of the entity respectively. The ratings have been obtained from Pakistan Credit Rating Agency (PACRA) and JCR-VIS.

THE BANK OF PUNJAB

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of The Bank of Punjab (the Bank) and its subsidiary company (together referred to as the Group) as at 31 December 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 14 branches, which have been audited by us. We have also expressed a separate opinion on the financial statements of The Bank of Punjab. Its subsidiary company Punjab Modaraba Services (Private) Limited, however, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based, solely on the report of such auditors.

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards on auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on 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 the management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at 31 December 2009 and the results of its operations, its comprehensive income, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion we draw attention to Note 1.2 to the consolidated financial statements which fully explain relaxations granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital.

Lahore: 29 March 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Mohammed Junaid

Consolidated Statement of Financial Position

as at 31 December 2009

	Note	2009	2008
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	7	13,043,705	10,685,058
Balances with other banks	8	2,185,782	2,178,455
Lendings to financial institutions	9	1,053,550	633,333
Investments	10	57,923,172	22,689,608
Advances	11	121,303,368	131,724,113
Operating fixed assets	12	3,427,267	3,471,838
Deferred tax assets	13	11,921,146	8,388,162
Other assets	14	5,770,905	6,122,406
		216,628,895	185,892,973
LIABILITIES			
Bills payable	16	875,618	1,219,801
Borrowings	17	14,040,014	12,278,773
Deposits and other accounts	18	190,858,087	164,071,732
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	19	19,907	30,632
Deferred tax liabilities		-	-
Other liabilities	20	4,700,569	4,564,481
		210,494,195	182,165,419
		6,134,700	3,727,554
NET ASSETS			
REPRESENTED BY			
Share capital	21	5,287,974	5,287,974
Reserves	22	573,779	7,427,232
Accumulated loss		(10,372,082)	(7,674,257)
		(4,510,329)	5,040,949
Share deposit money	23	10,000,000	-
		5,489,671	5,040,949
Surplus / (Deficit) on revaluation of assets	24	645,029	(1,313,395)
		6,134,700	3,727,554
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

Consolidated Profit and Loss Account

for the year ended 31 December 2009

	Note	2009 (Rupees in '000)	2008
Mark-up/return/interest earned	26	15,640,701	17,752,652
Mark-up/return/interest expensed	27	19,022,494	16,614,000
Net mark-up/ interest income		(3,381,793)	1,138,652
Provision against non-performing loans and advances - net	11.4	9,241,653	18,863,580
Provision for diminution in the value of investments - net	10.3	955,744	388,757
Bad debts written off directly	11.5	-	-
		10,197,397	19,252,337
Net mark-up/ interest income after provisions		(13,579,190)	(18,113,685)
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		657,114	579,520
Dividend income		920,943	2,025,160
Income from dealing in foreign currencies		247,570	324,327
(Loss) / Gain on sale and redemption of securities	28	(124,238)	733,787
Unrealized loss on revaluation of investments classified as held for trading	10.9	(1,193)	-
Other income	29	518,553	526,186
Total non-markup/interest income		2,218,749	4,188,980
		(11,360,441)	(13,924,705)
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	30	3,038,357	2,808,835
Provision against other assets		-	10,101
Provision against off balance sheet items		-	-
Other charges	31	794	114,700
Total non-markup/interest expenses		3,039,151	2,933,636
		(14,399,592)	(16,858,341)
Extra ordinary/unusual items		-	-
LOSS BEFORE TAXATION		(14,399,592)	(16,858,341)
Taxation - Current		-	207,600
- Prior years		78,491	1,052,000
- Deferred		(4,383,406)	(8,033,001)
	32	(4,304,915)	(6,773,401)
LOSS AFTER TAXATION		(10,094,677)	(10,084,940)
(Accumulated loss) / Unappropriated profit brought forward		(7,674,257)	3,468,956
Transfer to reserve for issuance of bonus share		-	(1,057,595)
Reversal of excess management fee accrued last year		-	(6,250)
Transfer from statutory reserve to accumulated loss		2,894,000	-
Transfer from general reserve to accumulated loss		4,495,350	-
Transfer from surplus on revaluation of fixed assets - net of tax		7,502	5,572
		(277,405)	2,410,683
Accumulated loss carried forward		(10,372,082)	(7,674,257)
Basic loss per share (after tax) - Rupees	33	(19.09)	(19.07)
Diluted loss per share (after tax) - Rupees	34	(19.09)	(19.07)

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 (Rupees in '000)	2008
Loss after taxation		(10,094,677)	(10,084,940)
Other comprehensive income		-	-
Total comprehensive loss		<u>(10,094,677)</u>	<u>(10,084,940)</u>

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	2009	2008
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(14,399,592)	(16,858,341)
Less: Dividend income		(920,943)	(2,025,160)
		(15,320,535)	(18,883,501)
Adjustments for non-cash charges:			
Depreciation	12.2	303,847	215,783
Amortization on intangible assets	12.3	7,512	12,671
Amortization on premium on Pakistan Investment Bonds		72,216	72,198
Unrealized loss on revaluation of investments classified as held for trading		1,193	-
Provision against non-performing loans and advances - net	11.4	9,241,653	18,863,580
Bad debts written-off directly	11.5	-	-
Provision for diminution in the value of investments - net	10.3	955,744	388,757
Provision for employees compensated absences	37.1.2	23,617	27,981
Provision for gratuity	37.1.1	49,863	37,042
Provision against other assets		-	10,101
Net profit on sale of property and equipment	12.2.1	(10,344)	(3,152)
Loss / (Gain) on sale and redemption of securities	28	124,238	(733,787)
Finance charge on leased assets	30	3,395	4,454
		10,772,934	18,895,628
		(4,547,601)	12,127
(Increase)/ Decrease in operating assets:			
Lendings to financial institutions		(420,217)	816,667
Net investments in held for trading securities		(69,932)	-
Advances		1,714,989	(16,688,550)
Others assets		1,351,530	(296,901)
		2,576,370	(16,168,784)
Increase/ (Decrease) in operating liabilities:			
Bills Payable		(344,183)	282,154
Borrowings		1,863,394	(5,463,146)
Deposits and other accounts		26,786,355	(27,896,645)
Other liabilities		62,608	1,488,576
		28,368,174	(31,589,061)
		26,396,943	(47,745,718)
Financial charges paid		(3,395)	(4,454)
Income tax paid		(1,069,621)	(640,115)
Net cash flow from / (used in) operating activities		25,323,927	(48,390,287)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(33,508,312)	42,476,027
Net investments in held to maturity securities		7,637	165,856
Dividends received		912,044	2,041,428
Investments in operating fixed assets		(282,883)	(462,157)
Sale proceeds of property and equipment disposed-off	12.2.1	26,439	5,367
Net cash flow (used in) / from investing activities		(32,845,075)	44,226,521
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease obligations		(10,725)	(9,689)
Share deposit money	23	10,000,000	-
Net cash flow from / (used in) financing activities		9,989,275	(9,689)
Net increase / (decrease) in cash and cash equivalents		2,468,127	(4,173,455)
Cash and cash equivalents at beginning of the year		12,705,283	16,878,738
Cash and cash equivalents at end of the year	35	15,173,410	12,705,283

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital	Statutory reserve	Capital Reserve			Revenue Reserve		Total
			Share premium	Restructuring reserve	Reserve for issuance of bonus shares	General reserve	Unappropriated Profit / (Accumulated loss)	
	(Rupees		in	'000)				
Balance as at 01 January 2008	4,230,379	2,894,000	37,882	-	-	4,495,350	3,468,956	15,126,567
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,572	5,572
Reversal of excess management fee accrued during preceeding year	-	-	-	-	-	-	(6,250)	(6,250)
Total comprehensive loss for the year ended 31 December 2008	-	-	-	-	-	-	(10,084,940)	(10,084,940)
Transfer to reserve for issue of bonus shares	-	-	-	-	1,057,595	-	(1,057,595)	-
Issue of bonus shares	1,057,595	-	-	-	(1,057,595)	-	-	-
Balance as at 31 December 2008	5,287,974	2,894,000	37,882	-	-	4,495,350	(7,674,257)	5,040,949
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	-	7,502	7,502
Total comprehensive loss for the year ended 31 December 2009	-	-	-	-	-	-	(10,094,677)	(10,094,677)
Transfer from provision against NPLs	-	-	-	535,897	-	-	-	535,897
Transfer to accumulated loss	-	(2,894,000)	-	-	-	(4,495,350)	7,389,350	-
Balance as at 31 December 2009	5,287,974	-	37,882	535,897	-	-	(10,372,082)	(4,510,329)

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1. Status and nature of business

- 1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 19 September 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 272 branches (2008: 272 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab.

Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Group amounts to Rs. 5,489,671 thousand, as against the minimum regulatory capital requirement of Rs. 6,000,000 thousand and Capital Adequacy Ratio (CAR), as disclosed in note 42.2, remained below the prescribed level of 10%. Further, as at the close of the year 2009, net advances aggregating to Rs. 27,816,636 thousand requiring additional provision of Rs. 21,041,154 thousand there against, have not been subjected to provisioning criteria as prescribed in State Bank of Pakistan's (SBP) prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in para 2 below.

Government of the Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand as advance subscription money during the year and subsequent to the statement of financial position date, deposited additional Rs.7,000,000 thousand as advance subscription money in year 2011 against future issue of shares by the Bank. Further, the GOPb vide two Letters of Comfort (LOCs) issued on 29 March 2012, has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending 31 December 2014 and 31 December 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012. However, the minimum level of CAR should not fall below 7% for the years 2011 and 2012. Further, the SBP has also agreed to allow above relaxations for the period of another 3 years including year 2012 based on examination of the business plan to be submitted by the Bank to the SBP by 30 June 2012.

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. Basis of preparation

- 2.1 Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or hold more than 50% of the shares or otherwise have the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Bank and subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant intercompany transactions have been eliminated.

- 2.2 These consolidated financial statements of The Bank of Punjab Group include The Bank of Punjab and its wholly owned subsidiary, Punjab Modaraba Services (Private) Limited. The consolidated financial statements have been prepared in accordance with the purchase method.
- 2.3 In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up 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 utilized and the appropriate portion of mark-up thereon.
- 2.4 "Balance Sheet" has been renamed as "Statement of Financial Position" keeping in view the requirement of BSD circular letter No. 7 of 2010 issued by the SBP.

3. Statement of compliance

These consolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

4. Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of accounting policies are as follows:

5.1 Classification of investments

In classifying investments as "held for trading" the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as "held to maturity" the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and

fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision. During the year, the management has changed the method of computing provision against non-performing loans as allowed under Prudential Regulations and explained in note 11.4.3.

5.3 Impairment of available for sale investments

The Group considers that available for sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the consolidated statement of financial position date the management has determined an impairment loss on available for sale securities as disclosed in note 10.3.1.

5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Group estimates the revalued amount of free hold land and buildings free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

5.5 Income taxes

In making estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Group's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

6. Summary of significant accounting policies

6.1 Change in accounting policy and disclosure

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of previous financial year except for the following.

- IAS-1 Presentation of Financial Statements (Revised) effective 01 January 2009

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity

presented as a single line. In addition, the standard introduces the statement of comprehensive income; it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements, "Profit and Loss Account" and a "Statement of Comprehensive Income", rather than a single statement of comprehensive income combining the two elements.

Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. Comparative information has been represented so that it is in conformity with the revised standard.

6.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending less over drawn nostro accounts and other overdrawn bank accounts.

6.3 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

6.3.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accruals basis, except mark-up on non-performing advances which is recognized when received.

6.3.2 Dividend income

Dividend income is recognized when the Group's right to receive the dividend is established.

6.3.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

6.3.4 Fees and commission income

Fees and commission on letters of credit/guarantee are recognized on a receipt basis.

6.4 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

6.5 Investments

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Group commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investments are classified as follows :

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments that do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to 'Surplus/(deficit) on revaluation of assets' account below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Held for trading and quoted available for sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as "Surplus/(Deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

6.6 Lending to/borrowing from financial institutions

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

6.6.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense.

6.6.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

6.7 Operating fixed assets and depreciation

Owned

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / Deficit arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus/(Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in income currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these consolidated financial statements.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

6.8 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the statement of balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity

The Group also recognized deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

6.9 Employee retirement and other benefits

6.9.1 Defined contribution plan – Provident Fund

The Group operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Group and the employees at the rate of 8.33% of basic salary. Contributions by the Group are charged to income.

6.9.2 Gratuity scheme

The Group operates an approved funded gratuity scheme for all its employees of the Bank. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to income in the year in which they occur. The most recent valuation was carried out at 31 December 2009 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2009 were as follows:

- Discount rate	12%
- Expected rate of eligible salary increase in future years	11%
- Expected rate of return on plan assets during 2010	12%
- Average expected remaining working life time of employees	11 years

6.9.3 Employees' compensated absence

The Bank makes annual provision in the accounts for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The most recent valuation was carried out at 31 December 2009 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2009 were as follows:

- Discount rate	12%
- Expected rate of eligible salary increase in future years	11%
- Average number of leaves utilized during the year	7 days
- Average number of leaves accumulated per annum by the employees	23 days

6.10 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which

are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

6.11 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Group 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.

6.12 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

6.13 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.14 Financial Instruments

6.14.1 Financial assets and liabilities

Financial instruments carried on the consolidated statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.14.2 Offsetting

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

6.15 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

6.15.1 Business segments

Trading and sales

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

Retail banking

It includes retail lending and deposits, banking services, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

Commercial banking

Commercial banking includes project finance, real estate finance, export finance, trade finance, lending, guarantees, bills of exchange and deposits.

Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.

6.15.2 Geographical segments

The Group operates only in Pakistan.

6.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period / year. 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.

6.17 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
IAS 24	Related Party Disclosure (Revised)	01 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Right Issues (Amendment)	01 February 2010
IFRS 2	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRS 3	Business Combinations (Revised)	01 July 2009
IAS 27	Consolidated and Separate Financial Statements (Amendment)	01 July 2009
IFRIC 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 15	Agreement for the Construction of real estate	01 October 2009
IFRIC 17	Distribution of Non-cash Assets to owners	01 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Group considers that the above standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the consolidated financial statements provided that such changes do not conflict with the format of financial statements prescribed by SBP for banks.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010.

7. CASH AND BALANCES WITH TREASURY BANKS

	Note	2009 (Rupees in '000)	2008
In hand:			
- Local currency	7.1	2,338,006	2,411,179
- Foreign currency		258,119	310,908
		2,596,125	2,722,087
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	8,189,488	5,087,599
- Foreign currency deposit account:	7.3		
- Non remunerative		61,076	126,558
- Remunerative	7.4	191,086	394,775
		8,441,650	5,608,932
With National Bank of Pakistan (NBP) in:			
- Local currency current account		1,900,430	2,222,039
- Local currency deposit account	7.5	105,500	132,000
		2,005,930	2,354,039
		13,043,705	10,685,058

7.1 This includes National Prize Bonds of Rs. 18,127 (thousand) {2008: Rs 15,039 (thousand)}.

7.2 This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

7.3 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.4 This carries mark-up as announced by the SBP on monthly basis. Mark-up rates during the year were NIL per annum (2008: ranging from 0.90% to 2.93% per annum).

7.5 This carries mark-up at the rate of 5.00% per annum (2008: 5.00% per annum).

8. BALANCES WITH OTHER BANKS

	Note	2009 (Rupees in '000)	2008
In Pakistan:			
- On current account		1,240,904	1,796,721
- On saving account	8.1	508,633	237,205
		1,749,537	2,033,926
Outside Pakistan:			
- On current account		199,197	118,255
- On deposit account	8.2	237,048	26,274
		436,245	144,529
		2,185,782	2,178,455

8.1 These carry mark-up at rates ranging from 5.00% to 9.50% per annum (2008: 5.00% to 11.00% per annum).

8.2 These carry mark-up at rates ranging from 0.25% to 0.50% per annum (2008: 0.1% to 1.10% per annum).

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2009 (Rupees in '000)	2008
Reverse repo	9.2	495,217	-
Certificate of investments	9.3	258,333	333,333
Placements	9.4	300,000	300,000
		<u>1,053,550</u>	<u>633,333</u>
9.1 Particulars of lendings			
In local currency		1,053,550	633,333
In foreign currencies		-	-
		<u>1,053,550</u>	<u>633,333</u>

9.2 Securities held as collateral against lendings to financial institutions

	2009 (Rupees in '000)			2008 (Rupees in '000)		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Pakistan Investment Bonds	495,217	-	495,217	-	-	-

Market value of securities held as collateral as at 31 December 2009 amounted to Rs. 496,827 (thousand) (2008: NIL). These carry mark-up rate ranging from 8.00% to 11.00% per annum (2008: NIL) with maturities up to 19 March 2010.

9.3 This carries profit at the rate of 15.10% per annum (2008: 12.0% per annum) maturing on 14 January 2011.

9.4 These represent placements carrying profit at rate of 13.0% per annum (2008: 19.50% per annum) with maturities up to 01 March 2010.

10. INVESTMENTS

10.1 Investments by types:

Note	2009 (Rupees in '000)			2008 (Rupees in '000)			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Held for trading securities							
Ordinary shares	Annex II - 1	69,932	-	69,932	-	-	
Available for sale securities							
Market Treasury Bills	10.4	25,059,220	7,708,707	32,767,927	1,280,647	665,841	1,946,488
Pakistan Investment Bonds	10.4	1,318,810	-	1,318,810	366,342	358,826	725,168
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
Ordinary Shares / Certificates of Listed Companies and Modarabas	Annex II - 1	405,579	-	405,579	358,967	-	358,967
Preference Shares of Listed Companies	Annex II - 2	210,908	-	210,908	210,908	-	210,908
Ordinary Shares of Unlisted Company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
NIT Units	10.6	5,745,924	-	5,745,924	5,426,287	-	5,426,287
Mutual Funds Units	Annex II - 4	6,558,515	-	6,558,515	11,500,642	-	11,500,642
Listed Term Finance Certificates	Annex II - 5	792,564	-	792,564	431,834	-	431,834
Unlisted Term Finance Certificates	Annex II - 6	8,624,052	-	8,624,052	2,746,540	-	2,746,540
Held to maturity securities							
Pakistan Investment Bonds	10.7	2,741,111	-	2,741,111	824,115	1,996,849	2,820,964
WAPDA Bonds		400	-	400	400	-	400
Total investments at cost							
		51,562,015	7,708,707	59,270,722	23,181,682	3,021,516	26,203,198
Provision for diminution in value of investments	10.3	(1,044,397)	-	(1,044,397)	(395,282)	-	(395,282)
Investments - net of provisions		50,517,618	7,708,707	58,226,325	22,786,400	3,021,516	25,807,916
Deficit on revaluation of available for sale securities	24.2	(301,960)	-	(301,960)	(3,118,308)	-	(3,118,308)
Deficit on revaluation of held for trading securities	10.9	(1,193)	-	(1,193)	-	-	-
Total investments at market value							
		50,214,465	7,708,707	57,923,172	19,668,092	3,021,516	22,689,608

10.2 Investments By Segments:

Note	2009			2008			
	Held by bank	given as collateral	Total	Held by bank	given as collateral	Total	
..... (Rupees in '000)							
Federal Government Securities:							
Market Treasury Bills	10.4	25,059,220	7,708,707	32,767,927	1,280,647	665,841	1,946,488
Pakistan Investment Bonds	10.4	4,059,921	-	4,059,921	1,190,457	2,355,675	3,546,132
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
Fully Paid-up Ordinary Shares/Certificates:							
Listed Companies and Modarabas	Annex II - 1	475,511	-	475,511	358,967	-	358,967
Unlisted Company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
NIT Units	10.6	5,745,924	-	5,745,924	5,426,287	-	5,426,287
Mutual Funds Units	Annex II - 4	6,558,515	-	6,558,515	11,500,642	-	11,500,642
Preference Share - Listed Companies	Annex II - 2	210,908	-	210,908	210,908	-	210,908
Term Finance Certificates and Bonds:							
Listed Term Finance Certificates	Annex II - 5	792,564	-	792,564	431,834	-	431,834
Unlisted Term Finance Certificates	Annex II - 6	8,624,052	-	8,624,052	2,746,540	-	2,746,540
WAPDA Bonds		400	-	400	400	-	400
Total investments at cost		51,562,015	7,708,707	59,270,722	23,181,682	3,021,516	26,203,198
Provision for diminution in the value of investments	10.3	(1,044,397)	-	(1,044,397)	(395,282)	-	(395,282)
Investments - net of provisions		50,517,618	7,708,707	58,226,325	22,786,400	3,021,516	25,807,916
Deficit on revaluation of available for sale securities	24.2	(301,960)	-	(301,960)	(3,118,308)	-	(3,118,308)
Deficit on revaluation of held for trading securities	10.9	(1,193)	-	(1,193)	-	-	-
Total investments at market value		50,214,465	7,708,707	57,923,172	19,668,092	3,021,516	22,689,608

10.3 Provision for diminution in the value of investments

Opening balance		395,282	6,525
Charge for the year		955,744	388,942
Reversal during the year		-	(185)
		955,744	388,757
Reversal on disposal		1,351,026	395,282
		(306,629)	-
Closing balance	10.3.1	1,044,397	395,282

10.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities:

Ordinary shares of unlisted companies	9,496	5,940
Ordinary shares of listed companies / modaraba certificates	177,376	22,370
Mutual funds units	857,125	366,572
	1,043,997	394,882

Held-to-maturity securities:

WAPDA Bonds	400	400
	1,044,397	395,282

- 10.4** Market Treasury Bills and Pakistan Investment Bonds are eligible for re-discounting with SBP.
- 10.5** These represents bonds issued for a period of three years carrying semi-annual rate on the basis of rental rates issued by the SBP at start of each half year. The semi annual profit is benchmarked against the latest weighted average yield of six month Market Treasury Bills determined one day prior to the start of each six month rental period.
- 10.6 NIT Units**
This represents 203,810,192 units (2008: 190,260,484 units) in National Investment (Unit) Trust (NI(U)T)-LOC Holders' Fund measured at NAV of 31 December 2009 as announced by NIT. The Letter of Comfort (LOC) dated June 30, 2009 issued by the Federal Government, confirming facilitation to NITL in redeeming these units at a price of Rs. 13.70 per unit, expired on December 31, 2009.
- The Ministry of Finance (MoF) vide letter No. F.4(2)-Inv.III/ 2000 dated 03 December, 2009 advised a scheme for settlement of NI(U)T-LOC Holders Fund by distributing all assets to LOC holders after charging an agreed premium of 2.5%, except for shares held in Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) (Strategic Assets) which were to be taken over by the NBP for settlement of the balance claims of respective LOC Fund Holders.
- Subsequent to the balance sheet date, the Bank has recorded the redemption / disposal of 178,559,130 units against proportionate share of the Non-Strategic Assets. For remaining units attributable to Strategic Assets, the Bank has agreed the market value of these shares as of 13 October 2010 for redemption of these units. The Bank has not yet received the funds against these units. However, as per the terms agreed amongst the LOC Unit Holders, the remaining holding of the Bank have been valued based on the proportionate share of the Bank as per the audited financial statements of the fund. Accordingly, the investment in LOC Holders' Fund has been derecognized and shown as receivable from NITL in 2011.
- 10.7** As per BSD 23/2008 dated 13 October 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 2,298,802 (thousand) {2008: Rs.2,807,364 (thousand)}.
- 10.8** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 10.9 Unrealized loss on revaluation of investments classified as held for trading**

	Note	2009 (Rupees in '000)	2008
Ordinary shares		(1,193)	-
11. ADVANCES			
Loans, cash credits, running finances etc.			
- In Pakistan		146,228,393	144,472,801
- Outside Pakistan		-	-
		146,228,393	144,472,801
Net investment in finance lease			
- In Pakistan	11.2	2,713,294	3,607,444
- Outside Pakistan		-	-
		2,713,294	3,607,444
Repurchase Agreement Lendings to Non-Financial Institutions	11.7	1,693,142	2,325,000
Bills discounted and purchased (excluding Market Treasury Bills)			
- Payable in Pakistan		443,699	1,140,793
- Payable outside Pakistan		424,443	1,673,168
		868,142	2,813,961
Advances - (gross)	11.1	151,502,971	153,219,206
Less: Provision for non-performing advances			
- Specific	11.3 & 11.4	(30,174,305)	(21,447,458)
- General	11.4	(25,298)	(47,635)
		(30,199,603)	(21,495,093)
Advances - net of provision		121,303,368	131,724,113

	Note	2009 (Rupees in '000)	2008
11.1 Particulars of advances (Gross)			
11.1.1 In local currency		151,502,971	153,219,206
In foreign currencies		-	-
		<u>151,502,971</u>	<u>153,219,206</u>
11.1.2 Short-term advances upto one year		87,084,960	89,325,139
Long-term advances for over one year		64,418,011	63,894,067
		<u>151,502,971</u>	<u>153,219,206</u>

11.2 Net investment in finance lease

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees	in	'000)		(Rupees	in	'000)	
Lease rentals receivable	643,850	2,638,911	18,245	3,301,006	713,950	3,617,025	95,947	4,426,922
Guaranteed residual value	-	-	-	-	-	-	-	-
Minimum lease payments	643,850	2,638,911	18,245	3,301,006	713,950	3,617,025	95,947	4,426,922
Less: Finance charge for future periods	178,725	408,499	488	587,712	247,869	568,534	3,075	819,478
Present value of minimum lease payments	465,125	2,230,412	17,757	2,713,294	466,081	3,048,491	92,872	3,607,444

11.3 Advances include Rs. 77,342,385 (thousand) {2008: Rs. 42,689,337 (thousand)} which have been placed under non-performing status as detailed below:-

Category of Classification	2009 (Rupees in '000)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned	742,314	-	742,314	-	-	-	-	-	-
Substandard	12,660,813	-	12,660,813	4,632,300	-	4,632,300	4,632,300	-	4,632,300
Doubtful	9,545,396	-	9,545,396	2,009,560	-	2,009,560	2,009,560	-	2,009,560
Loss	54,393,862	-	54,393,862	23,532,445	-	23,532,445	23,532,445	-	23,532,445
	<u>77,342,385</u>	<u>-</u>	<u>77,342,385</u>	<u>30,174,305</u>	<u>-</u>	<u>30,174,305</u>	<u>30,174,305</u>	<u>-</u>	<u>30,174,305</u>

11.3.1 Provision against certain net advances amounting to Rs. 27,816,636 thousand {2008:Rs.12,300,000 (thousand)} requiring additional provisioning of Rs. 21,041,154 thousand has not been considered necessary in these consolidated financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

11.4 Particulars of provisions against non-performing advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	21,447,458	47,635	21,495,093	2,500,058	136,360	2,636,418
Charge for the year	12,143,450	-	12,143,450	19,733,866	3,567,725	23,301,591
Reversals	(2,879,460)	(22,337)	(2,901,797)	(781,561)	(3,656,450)	(4,438,011)
11.4.3	9,263,990	(22,337)	9,241,653	18,952,305	(88,725)	18,863,580
Amounts written off	(1,246)	-	(1,246)	(4,905)	-	(4,905)
11.4.4	(535,897)	-	(535,897)	-	-	-
Amount transferred to restructuring reserve						
Closing balance	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>	<u>21,447,458</u>	<u>47,635</u>	<u>21,495,093</u>

11.4.1 Particulars of provisions against non-performing advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
In local currency	30,174,305	25,298	30,199,603	21,447,458	47,635	21,495,093
In foreign currencies	-	-	-	-	-	-
	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>	<u>21,447,458</u>	<u>47,635</u>	<u>21,495,093</u>

11.4.2 General provision includes provision against consumer loans maintained at an amount equal to 1.50% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by Prudential Regulations issued by SBP.

11.4.3 During the year, the SBP vide its BSD Circular No. 10 dated 20 October 2009 has amended Prudential Regulations for provisioning against non-performing advances in respect of benefit of Forced Sale Value (FSV) and rescheduling / restructuring of advances. The revised regulations allow benefit of 40% (previously 30%) of FSV of pledged stock and mortgaged residential, commercial and industrial properties held as collateral for calculating provision with effect from 30 September 2009. Had the change not been made, the specific provision against non-performing loans and advances would have been higher and consequently, loss before tax would have been higher and advances lower by Rs.2,798,817 (thousand).

11.4.4 This represents amount transferred to restructuring reserve in accordance with the SBP regulations which allows the Bank to up-grade category of classification by one category upon rescheduling / restructuring of classified advances. However, these interim instructions were applicable till 30 June 2010, only for such existing classified advances which were rescheduled / restructured on or after 01 January 2009 and were over due by less than one year at the time of rescheduling / restructuring.

	Note	2009	2008
		(Rupees in '000)	
11.5 Particulars of write offs:			
11.5.1 Against provisions	11.4	1,246	4,905
Directly charged to profit & loss account		-	-
		<u>1,246</u>	<u>4,905</u>
11.5.2 Write Offs of Rs. 500,000 and above	11.6	1,017	4,803
Write Offs of Below Rs. 500,000		229	102
		<u>1,246</u>	<u>4,905</u>

11.6 Details of Loan Write off of Rs. 500,000/- and Above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2009 is given in Annexure-1.

11.7 Market value of securities held as collateral as at 31 December 2009 amounted to Rs. 1,698,387 (thousand) {2008: Rs. 2,247,370 (thousand)}. These are secured against Pakistan Investment Bonds maturing on 21 December 2010 at the rate of interest of 12.40% per annum (2008: ranging from 13% to 15% per annum).

	Note	2009 (Rupees in '000)	2008
11.8 Particulars of loans and advances to directors, associated companies, etc.			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		763,312	925,673
Loans granted during the year		250,168	102,354
Repayments received during the year		(132,997)	(264,715)
Balance at end of year	11.8.1	880,483	763,312
Debts due by managed modaraba			
Balance at beginning of year		1,041,116	452,210
Loans granted during the year		4,091,171	4,758,153
Repayments received during the year		(4,158,972)	(4,169,247)
Balance at end of year		973,315	1,041,116
		1,853,798	1,804,428

11.8.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Group.

12. OPERATING FIXED ASSETS

	Note	2009 (Rupees in '000)	2008
Capital work-in-progress	12.1	68,236	219,800
Property and equipment	12.2	3,359,031	3,244,526
Intangible assets	12.3	-	7,512
		3,427,267	3,471,838
12.1 Capital work-in-progress			
Civil works		38,166	126,980
Equipments		-	12,443
Premises		30,070	65,323
Software		-	11,804
Advances to suppliers and contractors		-	3,250
		68,236	219,800

12.2 Property and equipment

2009

	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at December 31 2009	Rate of depreciation %	
	Opening balance as at January 01, 2009	Additions	Deletions/ Transfer	Revaluation adjustment	Closing balance as at December 31, 2009	Opening balance as at January 01, 2009	Charge for the year	(Deletions)/ Transfer/ adjustment			Closing balance as at December 31, 2009
Owned Assets	(Rupees in '000)										
Free hold land	1,183,532	-	-	-	1,183,532	-	-	-	-	1,183,532	-
Buildings on free hold land	1,436,603	87,601	-	-	1,524,204	-	74,054	-	74,054	1,450,150	5
Furniture, fixture and office equipment	1,068,348	284,045	(10,804)	-	1,346,786	548,745	196,570	(8,452)	742,060	604,726	10-33.33
Vehicles	92,805	62,801	(29,657)	-	135,127	12,687	23,088	(16,887)	28,066	107,061	20
			9,178*					9,178*			
Assets held under finance lease	3,781,288	434,447	(26,086)	-	4,189,649	561,432	293,712	(10,964)	844,180	3,345,469	
Furniture, fixture and office equipment	5,197	-	-	-	-	1,608	1,040	-	-	-	20
Vehicles	59,192	-	(5,197)*	-	47,089	38,111	9,095	(1,952)	33,527	13,562	20
			(2,925)					(9,178)*			
			(9,178)*					(2,549)			
	64,389	-	(17,300)	-	47,089	39,719	10,135	(16,327)	33,527	13,562	
	3,845,677	434,447	(43,386)	-	4,236,738	601,151	303,847	(27,291)	877,707	3,359,031	

*These represent leased vehicles and equipment transferred to owned assets on completion of finance lease.

2008

	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at December 31 2008	Rate of depreciation %	
	Opening balance as at January 01, 2008	Additions	(Deletions)/ Transfer	Revaluation adjustment	Closing balance as at December 31, 2008	Opening balance as at January 01, 2008	Charge for the year	(Deletions)/ Transfer/ Revaluation adjustment			Closing balance as at December 31, 2008
Owned Assets	(Rupees in '000)										
Free hold land	1,212,669	38,000	-	(67,137)	1,183,532	-	-	-	-	1,183,532	-
Buildings on free hold land	554,087	930,787	-	(48,271)	1,436,603	55,265	47,736	(103,001)	-	1,436,603	5
Furniture, fixture and office equipment	761,429	319,549	(12,630)	-	1,068,348	405,461	153,879	(10,595)	548,745	519,603	10-33.33
Vehicles	16,768	81,106	(8,248)	-	92,805	14,143	3,613	(8,248)	12,687	80,118	20
			3,179 *					3,179 *			
Assets held under finance lease	2,544,953	1,369,442	(17,699)	(115,408)	3,781,288	474,869	205,228	(118,665)	561,432	3,219,856	
Furniture, fixture and office equipment	5,197	-	-	-	5,197	569	1,039	-	1,608	3,589	20
Vehicles	63,730	-	(1,359)	-	59,192	32,954	9,516	(1,180)	38,111	21,081	20
			(3,179) *					(3,179) *			
	68,927	-	(4,538)	-	64,389	33,523	10,555	(4,359)	39,719	24,670	
	2,613,880	1,369,442	(22,237)	(115,408)	3,845,677	508,392	215,783	(123,024)	601,151	3,244,526	

*These represent leased vehicles and equipment transferred to owned assets on completion of finance lease.

12.2.1 Detail of disposal of operating fixed assets

Particulars	Cost	Book value	Sale price	Profit	Mode of disposal	Particulars of purchasers
(Rupees in '000)						
Land Cruiser Prado	6,100	5,388	5,555	167	Auction	Argosy Enterprises
Toyota Camry	2,750	1,513	2,725	1,212	Insurance claim	United Insurance Company Limited
Land Cruiser Prado	6,225	5,395	5,925	530	Auction	Mr. Amer Mehmood
Suzuki Cultus	657	482	569	87	As per policy	Ex-employee Tariq Javaid Butt
Honda City	841	350	400	50	As per policy	Ex-employee, Zilma-e-Azam
Toyota Corolla	969	436	500	64	As per policy	Ex-employee, Mahmood Sadiq
	17,542	13,564	15,674	2,110		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	25,844	2,531	10,765	8,234		
Minor Write Offs	-	-	-	-		
2009	43,386	16,095	26,439	10,344		
2008	22,237	2,215	5,367	3,152		

- 12.2.2 Freehold land and buildings were revalued on 31 December 2008 by M/s Indus Surveyors (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in surplus of Rs.721,519 thousand and Rs.262,792 thousand in respect of freehold land and buildings on freehold land respectively. Detailed particulars are as follows:

Particulars	Depreciated Cost (Rupees in '000)	Revalued Amount (Rupees in '000)
Freehold land	462,013	1,183,532
Buildings on freehold land	1,173,811	1,436,603

- 12.2.3 Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2009 (Rupees in '000)	2008 (Rupees in '000)
Freehold land	462,013	462,013
Buildings on freehold land	1,198,956	1,173,811

- 12.2.4 The gross carrying amount of fully depreciated assets that are still in use is Rs. 119,828 (thousand) (2008: Rs. 109,290 (thousand)).

12.3 Intangible assets

	2009							
	COST			AMORTIZATION				
	Opening balance as at January 01, 2009	Additions	Closing balance as at December 31, 2009	Opening balance as at January 01, 2009	Charge for the year	Closing balance as at December 31, 2009	Book value as at December 31, 2009	Rate of amortization %
	(Rupees In '000)			(Rupees In '000)		(Rupees In '000)		
License	37,100	-	37,100	29,970	7,130	37,100	-	33.33
Software	1,251	-	1,251	869	382	1,251	-	33.33
	38,351	-	38,351	30,839	7,512	38,351	-	

	2008							
	COST			AMORTIZATION				
	Opening balance as at January 01, 2008	Additions	Closing balance as at December 31, 2008	Opening balance as at January 01, 2008	Charge for the year	Closing balance as at December 31, 2008	Book value as at December 31, 2008	Rate of amortization %
	(Rupees In '000)			(Rupees In '000)		(Rupees In '000)		
License	35,100	2,000	37,100	17,716	12,254	29,970	7,130	33.33
Software	1,251	-	1,251	452	417	869	382	33.33
	36,351	2,000	38,351	18,168	12,671	30,839	7,512	

Note 2009 2008
(Rupees in '000)

13. Deferred Tax Asset

Taxable temporary differences on:

-Accelerated tax depreciation		(279,591)	(226,488)
-Revaluation surplus on operating fixed assets	24.1	(76,749)	(52,667)

Deductible temporary differences on:

-Deficit on available for sale securities	24.2	82,934	894,047
-Loan loss provision	13.2	10,358,528	7,686,923
-Provision for diminution in the available for sale securities		-	82,812
-Others	13.3	1,836,024	3,535
		11,921,146	8,388,162

- 13.1 The management based on the future projections expects that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

- 13.2 In view of the recent changes in the Income Tax Ordinance, 2001, made vide Finance Act, 2008, the Bank has recognized tax charge on the provision for doubtful debts which has resulted in deductible temporary differences.

13.3 This includes deductible temporary difference on business loss amounting to Rs. 1,835,607 thousand (2008: Nil).

13.4 Reconciliation of deferred tax

	Balance As 01 January 2008	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2008	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2009
				(Rupees in '000)			
Taxable temporary differences on:							
- Accelerated tax depreciation	(518,888)	292,400	-	(226,488)	(53,103)	-	(279,591)
- Revaluation surplus on operating fixed assets	(60,010)	-	7,343	(52,667)	4,039	(28,121)	(76,749)
Deductible temporary differences on:							
- Deficit on available for sale securities	(1,659,300)	-	2,553,347	894,047	-	(811,113)	82,934
- Loan loss provision	32,669	7,654,254	-	7,686,923	2,671,605	-	10,358,528
- Provision for diminution in the available for sale securities	-	82,812	-	82,812	(82,812)	-	-
- Others	-	3,535	-	3,535	1,832,489	-	1,836,024
	(2,205,529)	8,033,001	2,560,690	8,388,162	4,372,218	(839,234)	11,921,146

	Note	2009	2008
(Rupees in '000)			
14. OTHER ASSETS			
Income/mark-up accrued in local currency		2,816,924	5,326,404
Profit paid in advance on pehlay munafa scheme		294,717	377,374
Advances, deposits, advance rent and other prepayments		138,466	153,754
Advance taxation (payments less provisions)		1,140,154	149,024
Non-banking assets acquired in satisfaction of claims	14.1	954,202	4,502
Branch adjustment accounts		344,755	-
Stock of stationary		35,709	35,761
Suspense account		25	544
Excise duty recoverable		1,092	1,094
Recoverable from NIT	14.2	36,790	36,790
Claim for recovery of shares	14.3	18,570	18,570
Unrealized gain on revaluation of foreign contracts		1,271	-
Others	14.4	54,783	85,144
		5,837,458	6,188,961
Less provision against:			
Excise duty recoverable		(1,092)	(1,094)
Recoverable from NIT		(36,790)	(36,790)
Fraud and forgeries		(10,101)	(10,101)
Claim for recovery of shares		(18,570)	(18,570)
	14.5	(66,553)	(66,555)
Other assets - net of provision		5,770,905	6,122,406

14.1 The market value of properties acquired in satisfaction of claims approximates their carrying value.

14.2 This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

14.3 This amount represents the cost of 2,785,074 shares of Sui Northern Gas Pipelines Limited (SNGPL) net of subsequent recoveries, fraudulently and unlawfully withdrawn by M/s S. H. Bukhari Securities (Private) Limited (SHB), an ex-member of Lahore Stock Exchange (Guarantee) Limited (LSE). The matter was reported to LSE and also to the Securities and Exchange Commission of Pakistan for recovery of the said shares.

The Bank has also registered an FIR with Federal Investigation Agency (FIA) to initiate criminal proceedings. The case has been transferred to National Accountability Bureau (NAB) and NAB authorities are in the process of recovery. As a matter of prudence though without prejudice to the Bank's claim against M/s S.H. Bukhari Securities (Private) Limited at various forums and the court of law, the balance claim amount has been fully provided for by the Bank.

14.4 This includes the amount of Rs. 10,695 (thousand) {2008: 12,564 (thousand)} relating to fraud and forgeries against which a provision of Rs. 10,101 (thousand) {2008: 10,101 (thousand)} thereon has been made.

	Note	2009 (Rupees in '000)	2008
14.5 Provision against other assets			
Opening balance		66,555	71,725
Charge for the year		-	10,101
Amount written off		(2)	(15,271)
Closing balance		66,553	66,555
15. CONTINGENT ASSETS			
Contingent assets		Nil	Nil
16. BILLS PAYABLE			
In Pakistan		875,618	1,219,801
Outside Pakistan		-	-
		875,618	1,219,801
17. BORROWINGS			
In Pakistan		13,983,937	12,120,543
Outside Pakistan		56,077	158,230
		14,040,014	12,278,773
17.1 Particulars of borrowings with respect to currencies			
In local currency		13,983,937	12,120,543
In foreign currencies		56,077	158,230
		14,040,014	12,278,773
17.2 Details of borrowings Secured / Unsecured			
Secured			
Borrowings from SBP:			
-Export refinance (ERF)	17.2.1	4,585,528	6,372,098
-Long term financing - export oriented projects (LTF-EOP)	17.2.2	1,496,582	1,585,019
-Long term financing facility (LTFF)	17.2.2	220,857	92,585
Repurchase agreement borrowings	17.2.3	7,680,970	3,695,841
		13,983,937	11,745,543
Unsecured			
Call borrowings		-	375,000
Overdrawn nostro accounts		56,077	158,230
		14,040,014	12,278,773

17.2.1 These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 6.0% to 8.0% per annum (2008: 6.50% to 7.0% per annum). Maturity of the borrowing is upto June 2010.

17.2.2 This amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

17.2.3 These are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 11.00% to 12.00% per annum (2008: 13.50% to 15.00% per annum) maturing on various dates latest by 26 January 2010.

2009 2008
(Rupees in '000)

18. Deposits and other accounts

Customers

Fixed deposits	90,596,230	72,543,702
Savings deposits	65,534,922	52,124,619
Current accounts - non-remunerative	26,116,739	19,742,600
Sundry deposits, margin accounts, etc.	1,311,926	1,379,488
	183,559,817	145,790,409

Financial Institutions

Remunerative deposits	5,848,985	18,204,162
Non-remunerative deposits	1,449,285	77,161
	7,298,270	18,281,323
	190,858,087	164,071,732

18.1 Particulars of deposits

In local currency	189,598,834	161,997,173
In foreign currencies	1,259,253	2,074,559
	190,858,087	164,071,732

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	8,269	1,875	6,394	14,430	3,657	10,773
Later than one year and not later than five years	14,818	1,305	13,513	23,706	3,847	19,859
	23,087	3,180	19,907	38,136	7,504	30,632

Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 14.90% to 15.35% per annum (2008: 12.22% to 17.02% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Year	2009	2008
	(Rupees in '000)	
2009	-	14,430
2010	8,269	9,645
2011	5,957	7,714
2012	8,861	6,347
	23,087	38,136
Less: Financial charges for the future periods	3,180	7,504
	19,907	30,632

	Note	2009	2008
(Rupees in '000)			
20. Other Liabilities			
Mark-up/ return/ interest payable in local currency		3,399,812	3,578,660
Mark-up/ return/ interest payable in foreign currency		470	5,030
Compensation payable on share deposit money		732,847	-
Accrued expenses		55,240	96,315
Unclaimed dividends		2,696	2,712
Branch adjustment account		-	351,898
Payable to gratuity fund	37.1.1	49,863	37,042
Provision for employees compensated absences	37.1.2	164,352	142,518
Provision against off-balance sheet obligations	20.1	1,488	1,488
Deficit on revaluation of forward contracts		-	3,483
Others		293,801	345,335
		4,700,569	4,564,481

20.1 Provision against off-balance sheet obligations

Opening balance	1,488	1,488
Charge for the year	-	-
Closing balance	1,488	1,488

21. SHARE CAPITAL

21.1 Authorized Capital

2009	2008		2009	2008
Number	Number			
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

21.2 Issued, subscribed and paid up share capital

2009	2008	Ordinary shares of Rs. 10 each	2009	2008
Number	Number			
		Balance as at January 01		
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
509,464,036	403,704,561	Issued as bonus shares	5,094,641	4,037,046
528,797,376	423,037,901		5,287,974	4,230,379
		Issued during the year		
-	105,759,475	Bonus shares	-	1,057,595
-	105,759,475		-	1,057,595
		Closing balance		
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
528,797,376	528,797,376		5,287,974	5,287,974

21.3 Government of Punjab (GOPb) held 51% shares in the Bank as at 31 December 2009 (2008: 51%)

	Note	2009 (Rupees in '000)	2008
22. Reserves			
Statutory reserve	22.1	-	2,894,000
Share premium reserve		37,882	37,882
Restructuring reserve	22.2	535,897	-
General reserve		-	4,495,350
		<u>573,779</u>	<u>7,427,232</u>
22.1	In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank. Appropriation to statutory reserve has not been made as the Bank has suffered loss during the year.		
22.2	This represents the effect of the up gradation of category of classification upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.		
23. SHARE DEPOSIT MONEY			
The Bank has received Rs.10,000,000 (thousand) from Government of the Punjab (GOPb) as advance subscription money as explained in Note 1.2. Return on share deposit money is payable at the rate equal to 3 months weighted average T-Bill rate applicable during the period.			
24. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
Surplus on revaluation of operating fixed assets	24.1	864,055	910,866
Deficit on revaluation of investments - available for sale securities	24.2	(219,026)	(2,224,261)
		<u>645,029</u>	<u>(1,313,395)</u>
24.1	Surplus on revaluation of operating fixed assets as on 01 January		
		984,311	996,720
- Deficit on revaluation during the year		-	(12,409)
		<u>984,311</u>	<u>984,311</u>
Incremental depreciation			
-Opening balance		(20,778)	(15,206)
-Adjustment during the year		(11,188)	-
-Transferred to accumulated loss in respect of incremental depreciation charge during the year - net of tax		(7,502)	(5,572)
-Related deferred tax liability		(4,039)	-
Accumulated incremental depreciation		<u>(43,507)</u>	<u>(20,778)</u>
Surplus on revaluation of operating fixed assets as on 31 December		940,804	963,533
Less: Related deferred tax liability			
-Opening balance		(52,667)	(60,010)
-Deferred tax on revaluation during the year		-	4,343
-Adjustment during the year		(28,121)	-
-Deferred tax recorded during the year		4,039	3,000
-Closing balance	13	<u>(76,749)</u>	<u>(52,667)</u>
		<u>864,055</u>	<u>910,866</u>
24.2	Deficit on revaluation of investments - available for sale securities		
Federal Government securities		(20,082)	(186,291)
Quoted Securities		(7,880)	8,914
NIT Units		(120,763)	(1,251,972)
Mutual Funds Units		(152,301)	(1,685,499)
Term Finance Certificates		(934)	(3,460)
	10.1	<u>(301,960)</u>	<u>(3,118,308)</u>
Less:			
Related deferred tax asset	13	<u>(82,934)</u>	<u>894,047</u>
		<u>(219,026)</u>	<u>(2,224,261)</u>

25. CONTINGENCIES AND COMMITMENTS

25.1 Direct Credit Substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2009	2008
	(Rupees in '000)	
- Financial institutions	-	5,366
- Others	3,162,896	5,864,887
	<u>3,162,896</u>	<u>5,870,253</u>

25.2 Transaction-related Contingent Liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

	2009	2008
	(Rupees in '000)	
- Government	2,137,378	3,016,907
- Financial institutions	230,664	182,681
- Others	12,703,017	16,980,271
	<u>15,071,059</u>	<u>20,179,859</u>

25.3 Trade-related Contingent Liabilities

These include letter of credit issued in favour of :

- Government	1,656,409	1,753,256
- Financial institutions	17,778	1,921
- Others	7,850,702	19,059,466
	<u>9,524,889</u>	<u>20,814,643</u>

25.4 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Inland Revenue Appeals {CIT (A)}. CIT (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank and the Department has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the order of CIT (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,727 (thousand). The management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

The Company's assessments, except for the assessment year 1995-96 and 1996-97, have been finalised upto assessment year 2002-03. The Taxation Officer issued notices for finalisation of the set-aside assessment for the assessment years 1995-96 and 1996-97, which were complied with but the orders have not yet been received.

Returns filed by the Company for tax years 2003 to 2009 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2011. The Company has not received any notice from the Tax Department for selection of its cases for detailed scrutiny.

25.5 Corporate compliance

The Registrar Modaraba Companies and Modarabas (the Registrar), vide order dated 27 August 2009, has imposed penalty of Rs. 150 (thousand) each on the Ex-Chief Executive, one Ex-Director, one existing Director and the Company through its Chief Executive due to violation of certain provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. The Company has filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan, which is pending adjudication.

	2009	2008
	(Rupees in '000)	
25.6 Other Contingencies		
Claims against the Group not acknowledged as debts	4,877,227	1,488,764
25.7 Commitments in respect of forward exchange contracts		
Purchase	546,671	1,166,728
Sale	756,899	1,423,981
	<u>1,303,570</u>	<u>2,590,709</u>
25.8 Commitments for the acquisition of operating fixed assets	28,422	38,387

	Note	2009 (Rupees in '000)	2008
26. MARK-UP/RETURN/INTEREST EARNED			
a) On loans and advances to:			
i) Customers		11,698,388	14,804,431
ii) Financial institutions		4,550	42,178
b) On Investments in:			
i) Available for sale securities		3,006,168	2,011,307
ii) Held to maturity securities		250,700	588,299
c) On Deposits with financial institutions		68,321	56,767
d) On securities purchased under resale agreements		612,574	249,670
		<u>15,640,701</u>	<u>17,752,652</u>
27. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		17,527,998	15,322,204
Return on share deposit money		732,847	-
Securities sold under repurchase agreements		677,850	895,867
Other short term borrowings		83,799	395,929
		<u>19,022,494</u>	<u>16,614,000</u>
28. (LOSS)/ GAIN ON SALE AND REDEMPTION OF SECURITIES			
NIT Units		-	630,720
Federal Government securities		11,336	-
Mutual funds units		(139,891)	93,557
Listed securities		4,317	-
Unlisted term finance certificates		-	9,510
		<u>(124,238)</u>	<u>733,787</u>
29. OTHER INCOME			
Rent on lockers		19,401	10,730
Net profit on sale of property and equipment	12.2.1	10,344	3,152
Service charges		234,414	212,725
Others		254,394	299,579
		<u>518,553</u>	<u>526,186</u>
30. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,515,907	1,533,848
Contribution to defined contribution plans		62,093	42,117
Provision for gratuity	37.1.1	49,863	37,042
Provision for compensated absences	37.1.2	23,617	27,981
Non-executive directors' fees	38	2,275	30
Taxes, insurance, electricity, etc.		130,569	98,198
Legal and professional charges	30.1	44,462	29,310
Communications		91,737	66,191
Repairs and maintenance		69,673	49,558
Rent for bank premises	30.2	162,346	148,371
Finance charge on leased assets		3,395	4,454
Stationery and printing		76,700	51,524
Advertisement and publicity		16,427	64,761
Auditors' remuneration	30.3	5,039	3,979
Depreciation	12.2	303,847	215,783
Amortization on intangible assets	12.3	7,512	12,671
Traveling		43,561	45,228
Vehicle expenses		136,766	143,176
Cash remittance charges		32,477	21,101
Bank charges		75,228	60,723
Others		184,863	152,789
		<u>3,038,357</u>	<u>2,808,835</u>

30.1 This includes consultancy charges of Rs. 12,900 (thousand) (2008: NIL) previously classified as capital work in progress paid in relation to development of the Bank's software.

30.2 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

	Note	2009 (Rupees in '000)	2008
30.3 Auditors' remuneration			
Audit fee		1,750	1,551
Fee for audit of subsidiary - Hameed Chauhdary & Co.		50	35
Special certifications, half yearly review and others		1,634	1,386
Out-of-pocket expenses		1,605	1,007
		<u>5,039</u>	<u>3,979</u>
31. OTHER CHARGES			
Penalties imposed by SBP		794	73,980
Workers' Welfare Fund		-	40,720
		<u>794</u>	<u>114,700</u>
32. TAXATION			
For the year			
Current		-	207,600
Deferred		(4,372,218)	(6,981,001)
		(4,372,218)	(6,773,401)
For the prior year			
Current		78,491	1,052,000
Deferred		(11,188)	(1,052,000)
		67,303	-
		<u>(4,304,915)</u>	<u>(6,773,401)</u>

32.1 The Group has suffered a loss during the year, therefore, numerical reconciliation between tax expense and accounting profit has not been presented.

	Note	2009 (Rupees in '000)	2008
33 BASIC LOSS PER SHARE			
Basic loss per share - after tax			
Loss for the year - Rupees in thousand		<u>(10,094,677)</u>	<u>(10,084,940)</u>
Weighted average number of ordinary shares - Number		<u>528,797,376</u>	<u>528,797,376</u>
Basic loss per share - after tax - Rupees		<u>(19.09)</u>	<u>(19.07)</u>

34. DILUTED LOSS PER SHARE

There is no dilution effect on basic earnings per share.

35. CASH AND CASH EQUIVALENTS

Cash and Balances with Treasury Banks	7	13,043,705	10,685,058
Balance with other banks	8	2,185,782	2,178,455
Overdrawn nostro accounts	17	(56,077)	(158,230)
		<u>15,173,410</u>	<u>12,705,283</u>
		2009	2008
			Number

36. STAFF STRENGTH

Permanent		3,475	3,537
Temporary/on contractual basis		805	622
Deputed staff		1	-
Bank's own staff strength at the end of the year		<u>4,281</u>	<u>4,159</u>
Outsourced		-	-
Total Staff Strength		<u>4,281</u>	<u>4,159</u>

37. EMPLOYEE BENEFITS

37.1 Defined benefit plans

37.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof subject to minimum of five years of service. The Bank makes annual provision in the consolidated financial statements for its liabilities on the basis of actuarial valuation.

Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.9.2 to these consolidated financial statements.

	2009	2008
	(Rupees in '000)	
Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	87,196	37,042
Fair value of any plan assets	(37,333)	-
	49,863	37,042
Movement in payable to defined benefit plan		
Opening balance	37,042	-
Charge for the year	49,863	37,042
Contribution made	(37,042)	-
	49,863	37,042
Changes in present value of defined benefit obligations		
Opening balance	37,042	-
Current service cost	44,281	37,042
Interest cost	4,445	-
Benefit paid	(227)	-
Actuarial loss	1,655	-
	87,196	37,042
Changes in fair value of plan assets		
Opening balance	-	-
Contributions made	37,042	-
Benefits paid	(227)	-
Actuarial gain	518	-
	37,333	-
Charge for defined benefit plan		
Current service cost	44,281	37,042
Interest cost	4,445	-
Actuarial gains and losses recognized	1,137	-
	49,863	37,042
Actual return on plan assets	518	-
Composition of fair value of plan assets		
NIT Government Bond Fund	25,334	-
Cash at bank	11,999	-
	37,333	-

37.1.2 Compensated absences

The Bank makes annual provision in the consolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.9.3 to these consolidated financial statements.

	2009 (Rupees in '000)	2008
Present value of defined benefit obligations	164,352	142,518
Movement in payable to defined benefit plan		
Opening balance	142,518	115,594
Charge for the year	23,617	27,981
Benefit paid	(1,783)	(1,057)
Closing balance	164,352	142,518
Charge for defined benefit plan		
Current service cost	17,812	15,758
Interest cost	21,377	11,559
Actuarial gains and losses recognised	(15,572)	664
	23,617	27,981

Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2009	2008	2007	2006	2005
	----- (Rupees in '000) -----				
Opening net liability	142,518	115,594	93,804	74,149	61,383
Net charge for the year	21,834	26,924	21,790	19,655	12,766
	164,352	142,518	115,594	93,804	74,149

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Group was as follows:

	Chairman		President/ Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008	2009	2008
.....(Rupees in '000).....								
Fees	-	-	-	-	2,275*	30*	-	-
Managerial remuneration	882	112	14,268	9,132	-	-	115,434	55,687
Bonus **	207	53	2,378	26,434	-	-	18,718	23,944
Contribution to defined contribution plan	-	-	-	-	-	-	79	42
Rent and house maintenance	-	-	1,332	775	-	-	42,454	22,065
Utilities	-	-	1,200	572	-	-	10,912	5,268
Medical	-	-	-	76	-	-	10,611	5,781
Other allowances	846	159	-	725	-	-	1,585	6,218
	<u>1,935</u>	<u>324</u>	<u>19,178</u>	<u>37,714</u>	<u>2,275</u>	<u>30</u>	<u>199,793</u>	<u>119,005</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>10</u>	<u>6</u>	<u>138</u>	<u>83</u>

* This represents the fee paid to non-executive directors for attending the Board meetings.

** This represents regular bonus paid to staff on eve of Eids as per the Group's policy.

President/Chief Executive Officer and Executives are provided with free use of the Group's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Group's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair values.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2009		2008	
	Book value	Fair value	Book value	Fair value
(Rupees in '000)				
On balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	13,043,705	13,043,705	10,685,058	10,685,058
Balances with other banks	2,185,782	2,185,782	2,178,455	2,178,455
Lendings to financial institutions	1,053,550	1,053,550	633,333	633,333
Investments - net	57,923,172	57,480,863	22,689,608	23,105,905
Advances - net	121,303,368	121,303,368	131,724,113	131,724,113
Other assets	3,207,632	3,207,632	5,437,208	5,437,208
	<u>198,717,209</u>	<u>198,274,900</u>	<u>173,347,775</u>	<u>173,764,072</u>
Liabilities				
Bills payable	875,618	875,618	1,219,801	1,219,801
Borrowings	14,040,014	14,040,014	12,278,773	12,278,773
Deposits and other accounts	190,858,087	190,858,087	164,071,732	164,071,732
Liabilities against assets subject to finance lease	19,907	19,907	30,632	30,632
Other liabilities	4,700,569	4,700,569	4,564,481	4,564,481
	<u>210,494,195</u>	<u>210,494,195</u>	<u>182,165,419</u>	<u>182,165,419</u>
Off balance sheet financial instruments				
Forward sale of foreign exchange contracts	756,899	752,504	1,423,981	1,407,850
Forward purchase of foreign exchange contracts	546,671	544,460	1,166,728	1,161,564

Investments

All quoted investments have been stated at their market values except securities classified as held-to-maturity, which have been valued at their amortized cost. These held-to-maturity securities have market value of Rs. 2,298,802 (thousand) {2008: Rs. 2,807,364 (thousand)}. All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

Advances

Fair value of advances can not be determined with reasonable accuracy due to absence of current and active market. Advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations by the SBP.

Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Carrying values of deposits other than long term fixed deposits approximate their fair values as they are short term in nature or are frequently repriced.

Other financial instruments

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
(Rupees in '000)						
2009						
Total income	4,988,321	1,300,037	11,094,939	404,186	71,967	17,859,450
Total expenses	2,934,514	3,750,961	25,492,483	68,777	12,307	32,259,042
Income taxes	-	-	-	-	-	(4,304,915)
Net income / (loss)	2,053,807	(2,450,924)	(14,397,544)	335,409	59,660	(10,094,677)
Segment assets (gross)	74,533,931	8,767,041	151,880,329	-	-	235,181,301
Segment non performing loans / investments	1,044,397	2,940,910	74,401,475	-	-	78,386,782
Segment provision required	1,044,397	1,196,079	29,003,524	-	-	31,244,000
Segment liabilities	12,961,163	31,713,209	165,819,823	-	-	210,494,195
Segment return on net assets (ROA) (%)	16.53%	23.98%	15.66%	-	-	-
Segment cost of funds (%)	10.27%	10.93%	11.46%	-	-	-
2008						
Total income	5,846,570	1,617,509	14,227,234	180,027	70,292	21,941,632
Total expenses	2,953,693	2,698,661	33,114,570	24,182	8,867	38,799,973
Income taxes	-	-	-	-	-	(6,773,401)
Net income / (loss)	2,892,877	(1,081,152)	(18,887,336)	155,845	61,425	(10,084,940)
Segment assets (gross)	38,691,820	9,976,836	153,762,369	-	-	202,431,025
Segment non performing loans / investments	395,282	1,791,767	40,897,570	-	-	43,084,619
Segment provision required	450,642	570,881	20,935,407	-	-	21,956,930
Segment liabilities	11,137,530	25,771,732	145,256,157	-	-	182,165,419
Segment return on net assets (ROA) (%)	22.07%	22.46%	14.47%	-	-	-
Segment cost of funds (%)	9.73%	9.56%	10.10%	-	-	-

41. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders/members. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 38.

	2009	2008
	(Rupees in '000)	
First Punjab Modaraba		
(Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the year	1,041,116	452,210
Loans granted during the year	4,091,171	4,758,153
Repayments received during the year	(4,158,972)	(4,169,247)
Outstanding at the end of the year	<u>973,315</u>	<u>1,041,116</u>
Mark-up/return earned	<u>144,960</u>	<u>112,506</u>
Deposits in current account	<u>7</u>	<u>3,113</u>
Placement		
Outstanding at beginning of the year	300,000	-
Made during the year	1,200,000	1,100,000
Repaid/matured during the year	(1,200,000)	(800,000)
Outstanding at the end of the year	<u>300,000</u>	<u>300,000</u>
Mark-up/return earned	<u>43,562</u>	<u>40,360</u>
Lease liability		
Outstanding at beginning of the year	30,632	40,321
Lease contracts entered into during the year	-	-
Repayments made during the year	(10,725)	(9,689)
Outstanding at the end of the year	<u>19,907</u>	<u>30,632</u>
Security deposit receivable in respect of leases	-	-
Key Management Personnel		
Deposits		
Opening balances	5,956	2,012
Received during the year	137,316	64,520
Withdrawal during the year	(130,266)	(60,576)
Closing Balances	<u>13,006</u>	<u>5,956</u>
Mark-up / interest Expensed	<u>215</u>	<u>64</u>
Bankers Avenue Co-operative Housing Society		
(A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	<u>23,921</u>	<u>6,004</u>
Contribution to Employees Provident Fund	<u>46,725</u>	<u>42,117</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (2008: 51%) transactions with GOPb have not been treated as related party transactions for the purpose of this disclosure.

42. CAPITAL ADEQUACY

42.1 Scope of application

The Bank is the only entity in the Group to which Basel II capital adequacy framework applies. The Bank has only one subsidiary; Punjab Modaraba Services (private) Limited, whose financial statements are included in the consolidated financial statements.

42.2 Capital adequacy

The Basel II Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and also on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by 31 December 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital requirement (net of losses) as at 31 December 2009 is Rs. 6 billion. The Bank's paid-up capital (net of losses) as at 31 December 2009 is Rs. 4.96 billion, including share deposit money of Rs. 10 billion deposited by the GOPb.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Group's capital adequacy ratio as at 31 December 2009 is 3.96%. The SBP has given relaxation to the Bank for minimum required CAR as explained in Note 1.2.

The State Bank of Pakistan's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital, which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which includes general reserve for loan losses, revaluation reserves, exchange translation reserves and subordinated debts.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible upto 45 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

The Bank calculates capital requirement as per Basel II regulatory framework, using the following approaches:

Credit risk	Standardised Approach
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

	2009	2008
	(Rupees in '000)	
Tier 1 capital		
Paid up capital	5,287,974	5,287,974
Balance in share premium account	37,882	37,882
Share deposit money	10,000,000	-
General reserves	-	7,389,350
Accumulated loss	(10,372,082)	(7,674,258)
	4,953,774	5,040,948
Deductions:		
Deficit on account of revaluations	301,960	1,612,696
Total eligible Tier I capital	4,651,814	3,428,252
Tier II Capital		
General provisions subject to 1.25% of total Risk Weighted Assets	561,195	47,635
Revaluation reserve (upto 45%)	290,263	-
	851,458	47,635
Total eligible Tier II capital	851,458	47,635
Tier III Capital	-	-
Total Eligible Capital	5,503,272	3,475,887

	2009	2008	2009	2008
	Capital Requirements		Risk Weighted Assets	
 (Rupees in '000)			
Credit Risk				
Claim on:				
Public sector entities	78,700	337,114	787,000	3,745,713
Claim on banks	94,819	14	948,192	160
Claims denominated in foreign currency, on banks with original maturity of 3 months or less	20,183	2,602	201,829	28,906
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	73,324	78,984	733,236	877,593
Corporates	5,326,237	8,647,747	53,262,372	96,086,077
Retail portfolio	676,255	892,817	6,762,551	9,920,187
Loans secured by residential property	40,351	36,777	403,512	408,633
Past due loans	3,056,372	1,977,820	30,563,718	21,975,781
Investment in fixed assets	342,727	292,683	3,427,267	3,252,038
Other assets	1,931,154	911,473	19,311,538	10,127,478
Off balance sheet - non-market related exposure	464,872	1,320,112	4,648,722	14,667,913
Off balance sheet - market related exposure	372	939	3,716	10,438
Equity exposure risk held in the Banking book	564,842	198,313	5,648,418	2,203,473
	12,670,208	14,697,395	126,702,071	163,304,390
Market Risk				
Interest rate risk	243	-	3,038	-
Equity position risk	84,214	-	1,052,675	-
Foreign exchange risk	7,086	21,221	88,575	235,785
	91,543	21,221	1,144,288	235,785
Operational Risk	903,949	906,022	11,299,364	10,066,911
Total	13,665,700	15,624,638	139,145,723	173,607,086

	2009	2008
	(Rupees in '000)	
Capital Adequacy Ratio (CAR)		
Total eligible regulatory capital held	5,503,272	3,475,887
Total Risk Weighted Assets	139,145,723	173,607,086
CAR	3.96%	2.00%

43. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

43.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its exposures. These External Credit Assessments Institutions (ECAIs) have been approved by the SBP.

The Bank has not transferred public issue ratings, issued by PACRA and JCR-VIS, onto comparable assets in the banking book in its calculations, instead ECAI ratings and ECA scores are aligned with risk buckets as determined by the SBP.

Credit exposures subject to Standardized Approach:

Risk buckets	Amount Outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction	Net Amount
----- (Rupees in 000)-----			
0%	62,481,289	1,325,127	61,156,162
20%	5,120,001	169,378	4,950,623
35%	1,152,891	-	1,152,891
50%	15,498,141	1,386,042	14,112,099
75%	9,016,735	-	9,016,735
100%	116,316,165	29,158,477	87,157,688
150%	32,174,347	15,952,917	16,221,430
	241,759,569	47,991,941	193,767,628

43.1.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	5,381,829	3.55	5,575,537	2.92	-	-
Textile and ginning	42,953,242	28.35	948,763	0.50	3,549,215	12.79
Cement	5,669,013	3.74	12,844	0.01	6,500	0.02
Sugar	7,297,072	4.82	266,813	0.14	282,070	1.02
Financial	1,386,929	0.91	7,298,142	3.82	248,442	0.90
Construction and real estate	15,812,158	10.44	6,709,759	3.52	2,809,958	10.12
Oil and gas	614,370	0.41	1,475,621	0.77	594,142	2.14
Auto & allied	2,008,610	1.33	38,589	0.02	373,935	1.35
Food and allied	5,295,055	3.50	766,690	0.40	150,762	0.54
Chemical and pharmaceuticals	2,450,546	1.62	117,183	0.06	386,020	1.39
Fertilizers	1,682,783	1.11	3,129,696	1.64	788,900	2.84
Cable, electrical and engineering	11,351,297	7.49	1,358,206	0.71	2,436,140	8.78
Production and transmission of energy	3,378,377	2.23	116,508	0.06	5,633,923	20.30
Transport, Storage and Communication	4,262,971	2.81	12,031,013	6.30	1,116,157	4.02
Government:						
- Public Sector Enterprises	2,399,100	1.58	11,283,920	5.91	2,473,077	8.91
- Federal and Provincial Governments	12,969,339	8.56	92,815,901	48.63	3,793,787	13.67
Individuals	1,835,210	1.21	32,471,687	17.01	-	-
Trading and commerce	15,084,991	9.96	4,408,428	2.31	309,837	1.12
Services	3,748,679	2.47	3,903,974	2.05	477,582	1.72
Others	5,921,400	3.91	6,128,813	3.22	2,328,397	8.37
	151,502,971	100.00	190,858,087	100.00	27,758,844	100.00

43.1.2 Segment by sector

	2009					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public Sector / Government	15,368,439	10.14	104,099,821	54.54	6,266,864	22.58
Private	136,134,532	89.86	86,758,266	45.46	21,491,980	77.42
	151,502,971	100.00	190,858,087	100.00	27,758,844	100.00

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees in '000)		(Rupees in '000)	
Agribusiness	2,492,528	803,641	1,469,015	368,365
Textile and ginning	23,657,447	12,560,150	11,919,838	6,973,665
Cement	4,479,417	1,724,332	2,071,794	1,421,794
Sugar	1,689,329	457,532	124,156	31,039
Financial	244,817	244,817	259,438	259,438
Construction and real estate	12,159,356	4,878,158	8,345,638	3,839,354
Oil and gas	84,085	83,108	23,486	20,913
Auto & allied	1,649,839	762,365	1,482,970	767,783
Food and allied	3,216,476	1,502,049	2,777,475	1,465,842
Chemical and pharmaceuticals	604,828	115,223	103,574	41,762
Fertilizers	6,942	6,942	-	-
Cable, electrical and engineering	7,419,965	888,578	1,581,815	585,846
Production and transmission of energy	1,682,761	454,622	1,467,819	433,966
Transport, Storage and Communication	270,300	175,224	258,177	122,085
Government:				
- Public Sector Enterprises	1,500,000	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	244,301	182,399	215,450	177,089
Trading and commerce	10,289,635	3,325,200	6,205,925	2,975,050
Services	2,153,892	554,989	1,815,250	476,420
Others	3,496,467	1,454,976	2,567,517	1,487,047
	77,342,385	30,174,305	42,689,337	21,447,458

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

Public Sector / Government	1,500,000	-	-	-
Private	75,842,385	30,174,305	42,689,337	21,447,458
	77,342,385	30,174,305	42,689,337	21,447,458

43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Group's operations are restricted to Pakistan only.

43.2 Market risk

Market risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The Group's market risk can be further classified into interest rate risk, foreign exchange risk and equity position risk.

43.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Group. To minimize this risk the Group's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Group.

43.2.1.1 Mismatch of interest rate sensitive assets and liabilities

2009												
Exposed to Yield / Interest risk												
Effective yield / interest rate	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years	Non-interest bearing financial instruments	
												(Rupees in '000)
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	13,043,705	296,586	-	-	-	-	-	-	-	-	12,747,119
Balances with other banks	5.86%	2,185,782	745,681	-	-	-	-	-	-	-	-	1,440,101
Lending to financial institutions	13.42%	1,053,550	91,528	728,689	25,000	50,000	158,333	-	-	-	-	-
Investments	6.43%	57,923,172	2,009,209	15,111,583	28,366,534	899,886	468,622	133,845	1,923,212	848,616	370,299	7,791,366
Advances	7.88%	21,303,368	3,640,943	111,337,642	6,302,967	-	-	-	-	-	-	21,816
Other assets	-	3,207,632	-	25,000	-	-	5,000	-	-	-	-	3,177,632
		198,717,209	6,783,947	127,202,914	34,694,501	949,886	631,955	133,845	1,923,212	848,616	370,299	25,178,034
Liabilities												
Bills payable	-	875,618	-	-	-	-	-	-	-	-	-	875,618
Borrowings	12.22%	14,040,014	7,680,970	-	6,302,967	-	-	-	-	-	-	56,077
Deposits and other accounts	9.76%	190,858,087	24,845,825	98,472,550	11,317,803	25,060,759	229,986	1,597,739	455,475	-	-	28,877,950
Liabilities against assets subject to finance lease	15.55%	19,907	19,907	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,700,569	-	-	-	-	-	-	-	-	-	4,700,569
		210,494,195	32,546,702	98,472,550	17,620,770	25,060,759	229,986	1,597,739	455,475	-	-	34,510,214
On-balance sheet gap		(11,776,986)	(25,762,755)	28,730,364	17,073,731	(24,110,873)	401,969	(1,463,894)	1,467,737	848,616	370,299	(9,332,180)
Off-balance sheet financial instruments												
Forward foreign exchange contracts												
- purchase		546,671	291,876	254,795	-	-	-	-	-	-	-	-
- sale		756,899	542,228	214,671	-	-	-	-	-	-	-	-
Off-balance sheet gap		(210,228)	(250,352)	40,124	-	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap			(26,013,107)	28,770,488	17,073,731	(24,110,873)	401,969	(1,463,894)	1,467,737	848,616	370,299	(9,332,180)
Cumulative yield/interest risk sensitivity gap			(26,013,107)	2,757,381	19,831,112	(4,279,761)	(3,877,792)	(5,341,686)	(3,873,949)	(3,025,333)	(2,655,034)	(11,987,214)

43.2.2 Foreign exchange risk management

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration.

2009					
	Assets	Liabilities	Off-balance sheet items	Net foreign currency	
(Rupees in '000)					
Pakistan Rupee	215,682,369	209,178,865	210,228	6,713,732	
United States Dollar	553,025	920,832	(134,112)	(501,919)	
Great Britain Pound	123,183	116,450	(5,036)	1,697	
Japanese Yen	3,435	-	-	3,435	
Euro	254,397	237,359	(71,080)	(54,042)	
Others	12,486	40,689	-	(28,203)	
	216,628,895	210,494,195	-	6,134,700	

43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Group that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Group prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

43.3 Liquidity Risk

43.3.1 Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Group's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Group manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Group are given significant importance.

43.3.2 Maturities of assets and liabilities

2009

	Total	2009								
		Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 month and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
..... (Rupees in '000)										
Assets										
Cash and balances with treasury banks	13,043,705	13,043,705	-	-	-	-	-	-	-	-
Balances with other banks	2,185,782	2,185,782	-	-	-	-	-	-	-	-
Lending to financial institutions	1,053,550	91,528	728,689	25,000	50,000	158,333	-	-	-	-
Investments	57,923,172	2,009,209	8,659,604	22,137,034	1,651,070	2,328,431	2,699,020	16,498,944	1,392,717	547,143
Advances	121,303,368	38,874,235	15,991,793	5,673,779	7,795,965	6,647,074	7,487,115	14,362,602	16,923,985	7,546,820
Operating fixed assets	3,427,267	25,947	51,893	77,840	155,680	311,359	311,359	622,718	1,556,795	313,676
Deferred tax assets	11,921,146	-	-	-	-	-	-	11,921,146	-	-
Other assets	5,770,905	3,233,142	210,357	74,979	2,110,531	141,896	-	-	-	-
	216,628,895	59,463,548	25,642,336	27,988,632	11,763,246	9,587,093	10,497,494	43,405,410	19,873,497	8,407,639
Liabilities										
Bills payable	875,618	875,618	-	-	-	-	-	-	-	-
Borrowings	14,040,014	7,737,047	-	6,302,967	-	-	-	-	-	-
Deposits and other accounts	190,858,087	42,011,400	36,266,093	23,893,853	37,089,704	10,065,189	11,961,564	10,772,573	9,398,856	9,398,855
Liabilities against assets subject to finance lease	19,907	497	1,013	1,568	5,268	5,858	5,703	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,700,569	4,440,909	-	-	-	4,725	-	254,935	-	-
	210,494,195	55,065,471	36,267,106	30,198,388	37,094,972	10,075,772	11,967,267	11,027,508	9,398,856	9,398,855
Net assets	6,134,700	4,398,077	(10,624,770)	(2,209,756)	(25,331,726)	(488,679)	(1,469,773)	32,377,902	10,474,641	(991,216)
Share capital	5,287,974									
Reserves	573,779									
Accumulated loss	(10,372,082)									
	(4,510,329)									
Share deposit money	10,000,000									
	5,489,671									
Surplus on revaluation of assets	645,029									
	6,134,700									

43.3.3 Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

43.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with

44. Date of authorization for issue

These consolidated financial statements were authorized for issue on 29 March 2012 by the Board of Directors of the Bank.

45. General

45.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006.

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

45.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

Chairman

President

Director

Director

**Statement showing written-off loans or any other financial relief
of five hundred thousand rupees or above provided
during the year ended December 31, 2009**

(Rs in '000)

S. No.	Name and address of the borrower	Name of individuals/partners/directors with NIC No.	Father's/Husband's name	Branch Name	Region	Outstanding liabilities at beginning of year					Principal written-off	Interest /Mark up /Other capitalized written-off	Interest /Markup written-off	Other financial relief provided	Total
						Principal	Interest/Mark up capitalized	Interest/markup	Others	Total					
1	Ariat Cotton Ginning & Pressing Factory Garha More Road, Miltroo, Tehsil Malisi, Distt Vehari	1) Naseer Khan 325-29-156272 2) Muhammad Murtaza 325-59-156274 3) Muhammad Mustafa 325-58-156275	1) Mian Qadir Baksh 2) Naseer Khan 3) Naseer Khan	Tibba Sultanpur	Multan	3,617	-	-	3,540	7,157	1,017	-	-	-	1,017
2	Dilkhush Hoisery Mills Ltd. Opp. Rehmania Mills Jhang Road, Faisalabad	1-Arshad Mansoor Elahi 33100-555609-5 2- Mrs. Sabina Elahi 33100-3643302-8	1-Akram Elahi 2- Maqsood Elahi	Railway Road, Faisalabad	Faisalabad	27,487	-	4,202	6,750	38,439	-	2,735	-	-	2,735
3	Syed Mazhar Hussain Noor Shah, Gelani, Kahror Pakka	Syed Mazhar Hussain 326-66-174630	S/o Syed Shabbir Hussain Shah	Kahror Pakka	Multan	450	362	333	-	1,145	-	362	-	-	695
4	Ghulam Ahmad Chishti Chak Bhulawal Depalpur	Ghulam Ahmad Chishti 35301-1932275-9	S/o Masood Ahmed Chishti	Mandi Road Okara	Lahore	3,076	1,409	-	-	4,485	-	767	-	-	767
5	Ishiaq Ahmad Moza Khajoor wala p/o Hujrah shah Muqem Distt Okara	Ishiaq Ahmad 35301-1913157-7	S/o Muhammad Sharif	Depalpur	Lahore	2,037	801	662	10	3,510	-	662	-	-	662
6	Shabbir Ahmed Mouza Swaira, P.O. Ahmedpur Lamma, Sadqabab	Shabbir Ahmed 31304-21090573	S/o Mohib Ali	Sadqabab	Multan	1,100	78	598	-	1,776	-	598	-	-	598
7	Muhammad Aslam R/O Adhi Sarqal Tehsil Noorpur Dist. Khushab	Muhammad Aslam 38202-9004052-3	S/o Malik Saïd Rasool Salhal	Jouharabad	Faisalabad	1,300	592	-	-	1,892	-	592	-	-	592
			TOTAL			39,067	3,242	5,795	10,300	58,404	1,017	2,383	-	-	7,066

1. Ordinary shares / certificates of listed companies and modarabas - at cost

Number of shares		Name of company/modaraba	2009	2008
2009	2008		(Rupees in '000)	
Held for Trading				
400,000	-	Jahangir Siddiqui Bank Limited	2,141	-
25,000	-	Arif Habib Securities Limited	1,192	-
175,000	-	National Bank of Pakistan	12,858	-
70,000	-	Pakistan State Oil	20,876	-
25,000	-	Lucky Cement Limited	1,658	-
1,700,000	-	PTCL-A	31,207	-
			<u>69,932</u>	<u>-</u>
Available for Sale				
709,996	-	Faysal Bank Limited	12,527	-
4,610,400	4,610,400	First Credit and Investment Bank	46,104	46,104
1,320,694	1,320,694	First Punjab Modaraba	164,943	164,943
978,000	978,000	First National Bank Modarba	9,780	9,780
975,000	-	Hub Power Company Limited	30,236	-
3,881,537	3,881,537	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	99,907	99,907
500	500	Trust Modarba	6	6
1,100,000	-	World Call Telecom Limited	3,849	-
3,822,698	3,822,698	Zephyr Textiles Limited	38,227	38,227
			<u>405,579</u>	<u>358,967</u>
			<u>475,511</u>	<u>358,967</u>

2. Preference shares of listed companies - at cost

Number of shares		Name of company	2009	2008
2009	2008			
3,090,794	3,090,794	Azgard Nine Limited	30,908	30,908
2,500,000	2,500,000	Fazal Cloth Mills Limited	25,000	25,000
8,000,000	8,000,000	Pak Elektron Limited (PEL)	80,000	80,000
7,500,000	7,500,000	Shakarganj Mills Limited	75,000	75,000
			<u>210,908</u>	<u>210,908</u>

Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Dividend rate per annum	Dividend payment	Redemption terms
Azgard Nine Limited	10	Fixed dividends at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Fazal cloth mills Limited	10	Fixed dividends at 6 month Kibor ask side + 250 bps per annum.	Annually	Issuer may redeem at its option the whole or minimum 20% of the outstanding face value at any time after completion of three years from the date of issue by giving atleast 60 days .
Pak Elektron Limited (PEL)	10	Dividend of 9.50% per annum payable if and when declared by the company on a cumulative basis.	Annually	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each

3. Ordinary shares of unlisted company - at cost

Number of shares		Name of company	2009	2008
2009	2008		(Rupees in '000)	
2,000,000	2,000,000	Emirates Global Islamic Bank (Chief Executive Officer: Mr. Syed Tariq Hussain)	25,000	25,000

4. Investment in mutual funds units - at cost

Number of Units		Name of fund	2009	2008
2009	2008		(Rupees in '000)	
Open ended mutual funds				
19,721,532	-	ABL Income Fund	200,000	-
200,000	940,676	AKD Income Value Fund	10,630	50,000
-	866,961	AKD Opportunity Fund	-	43,755
-	3,870,397	Alfalah GHP Multiplier Fund	-	198,842
-	9,482,165	AMZ Plus Income Fund	-	1,050,000
2,631,770	2,631,770	AMZ Plus Stock Market Fund	246,729	246,729
-	500,000	Askari Asset Allocation Fund	-	50,000
279,705	279,705	Atlas Income Fund	150,000	150,000
-	54,999	Atlas Islamic Fund	-	25,000
297,082	297,082	Atlas Stock Market Fund	200,000	200,000
-	10,051,318	BMA Chundrigar Road Saving Fund	-	100,000
-	673,653	Crosby Dragon Fund	-	94,019
-	616,366	Faysal Balanced Growth Fund	-	68,547
17,071,047	17,071,047	Faysal Saving Growth	1,800,000	1,800,000
879,062	879,062	First Habib Income Fund	94,183	94,183
246,403	961,730	IGI Income Fund	25,000	100,000
250,822	250,822	IGI Stock Fund	25,000	25,000
159,061	159,061	JS - Islamic Fund	111,368	111,368
-	500,000	JS - A30 + Fund	-	25,000
-	512,280	JS - Aggressive Asset Allocation Fund	-	50,000
-	1,122,993	JS - Capital Protected Fund	-	100,000
-	137,440	JS - Fund of Funds	-	12,500
-	18,487,017	JS - Income Fund	-	2,065,037
-	545,136	JS - Capital Protected Fund II	-	50,000
-	105,468	JS - Capital Protected Fund III	-	10,000
2,506,335	3,924,052	KASB Balanced Fund	127,217	200,000
1,127,446	1,127,446	KASB Liquid Fund	125,000	125,000
881	1,782,248	KASB Stock Market Fund	-	100,000
1,618,287	1,807,640	MCB Dynamic Stock Fund	200,000	223,402
-	28,631,638	NAFA Cash Fund	-	305,021
16,873,263	16,873,263	NAFA Stock Fund	200,000	200,000
594,549	513,250	NAMCO Income Fund	50,000	50,000
2,012,657	2,047,895	Pakistan International Element Islamic Fund	96,913	100,000
1,901,203	1,901,203	Pakistan Stock Market Fund	170,803	170,803
-	500,000	Pakoman Advantage Islamic Fund	-	25,000
-	500,000	Pakoman Advantage Islamic Income Fund	-	25,000
14,370,315	14,370,315	POBOP Advantage Fund	750,000	750,000
8,390,906	8,390,906	Reliance Income Fund	450,000	450,000
2,091,500	2,091,500	Unit Trust of Pakistan	369,246	369,246
2,747,393	7,703,383	United Growth & Income Fund	294,234	825,000
Close ended mutual funds				
1,253,700	1,253,700	Atlas Fund of Funds	11,940	11,940
20,000,000	20,000,000	JS - Large Capital Fund (ABAMCO Composite Fund)	200,000	200,000
7,500,000	7,500,000	NAMCO Balance Fund	75,000	75,000
42,640,000	40,000,000	Pakistan Capital Protected Fund	400,000	400,000
17,500,000	17,500,000	Pakistan Strategic Allocation Fund	175,250	175,250
				-
			6,558,515	11,500,642

4.1 Core Investments in mutual Funds

Name of Fund	Retention upto	Core Investment (Rupees in '000)
NAMCO Income Fund	23-April 2010	50,000

5. Listed Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company/modaraba	2009	2008
2009	2008	(Rupees in '000)		(Rupees in '000)	
-	10,000	5	Al-Zamin Leasing Modaraba - 2nd issue (Formerly Crescent Leasing Corp. Ltd.)	-	10,000
10,000	-	5	Askari Bank	50,000	-
7,369	-	5	Azgard Nine Limited	25,969	-
35,000	-	5	Bank AL Habib Limited	174,930	-
2,000	2,000	5	Bank AL Habib Limited - 1st issue	9,980	9,984
10,000	-	5	Engro Chemical Pak Ltd	48,836	-
1,178	-	5	Jahangir Siddiqui & Co Ltd	6,019	-
336	-	5	Jahangir Siddiqui & Co Ltd	1,228	-
5,000	-	5	Jahangir Siddiqui & Co Ltd	24,968	-
13,886	-	5	JS ABAMCO	52,052	-
-	13,886	5	JS Investments Limited - class A	-	63,619
3,406	-	5	NIB Bank Ltd	14,080	-
40,000	40,000	5	Orix Leasing Pakistan Limited	166,533	199,880
16,655	-	5	Pak Arab Fertilizers Ltd	71,188	-
10,000	10,000	5	Standard Chartered Bank (Pakistan) Limited - 2nd issue	34,960	47,420
-	12,000	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	-	9,742
4,516	4,516	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	4,516	11,290
8,782	-	5	United Bank Limited	37,417	-
10,000	10,000	5	United Bank Limited - 1st issue	49,904	49,923
6,000	6,000	5	World Call Communication	19,984	29,976
				792,564	431,834

Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual installment of 24.92% each starting from the 102nd from issue date.
Azgard Nine Limited	6 months KIBOR + 240 bps without any floor or cap.	Semi-annually	In ten unequal semi-annual installments starting from 30th month.
Bank AL Habib Limited	15.50% for the first five years and 16.00% for the next three years without any floor or cap	Quarterly	0.56% of principal in the first 84 months and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from issue date
Bank AL Habib Limited - 1st issue	Average 6 months KIBOR + 150 bps with a Floor of 3.50% and Cap of 10.00%.	Semi-annually	0.02% of principal in the first 78 months and remaining principal in three equal semi-annual installments of 33.25% each after 84th month from issue date.
Engro Chemical Pak Ltd	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% starting from 90th month.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.

Annexure-II

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.1% of principal in the first 30 months, 24.98% of principal from 36th month till the 54th month and remaining principal of 74.92% in the 60th month from the issue date.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 25 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.
JS ABAMCO	6 months KIBOR + 200 bps with a Floor of 8.00% . and Cap of 16.00%	Semi-annually	In 12 equal semi-annual installments starting from 18th month.
NIB Bank Ltd	6 months KIBOR + 115 bps without any floor or cap.	Semi-annually	0.02% of principal in the first 60th month and remaining principal in six equal semi-annual installments of 16.66% each starting from 66th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pak Arab Fertilizers Ltd	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	In six stepped - up semi-annual installments starting from the 30th month.
Standard Chartered Bank (Pakistan) Limited - 2nd issue	Last cut-off yield of 5-year PIBs auction + 75 bps with a Floor of 5.00% and Cap of 10.75%.	Semi-annually	0.16% of principal in the first 48 months, 10.00% of principal from 54th month till the 60th month and remaining principal in two equal semi-annual installments of 44.92% starting from 66th month from the issue date.
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	6 months KIBOR + 200 bps without any floor or cap.	Semi-annually	In 10 equal semi-annual installments starting from 6th month.
United Bank Limited	6 months KIBOR + 85 bps for the first five year and 6 months KIBOR + 135 bps for the remaining period without any floor or cap	Semi-annually	Bullet redemption at the end of 10th year.
United Bank Limited - 1st issue	Fixed at 100 bps + trading yield of 8-year PIBs as quoted on Reuters page 'PKRV'	Semi-annually	0.25% of principal in the first 78th month and remaining principal in three equal semi-annual installments of 33.25% each starting from 84th month from the issue date.
World Call Communication	6 months KIBOR + 275 bps without any floor or cap.	Semi-annually	In six equal semi-annual installments starting from 30th month.

6. Unlisted Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company	2009	2008
2009	2008	Rupees in '000'		Rupees in '000'	
100,000	100,000	5	Azgard Nine Limited	499,700	499,800
-	5,000	5	Azgard Nine Limited - 2nd issue	-	22,892
-	10,000	5	Azgard Nine Limited	-	12,500
7,000	-	5	Al Abbas Sugar Millis	26,456	-
10,000	-	5	Bank alfalah Limited	50,000	-
-	15,000	5	Crescent Steel and Allied Products Limited - 1st issue	-	9,375
80,000	-	5	Eden House(SUKUK)	344,183	-
12,521	-	5	Engro Chemical Pak Ltd	48,832	-
-	5,000	30	Escorts Investment Bank Limited - 1st issue	-	49,960
80,000	80,000	5	JDW Sugar Mills Limited	400,000	400,000
5,000	5,000	5	Jahangir Siddiqui & Co Ltd	21,794	24,980
-	13,686	5	Jamshoro Joint Venture Limited	-	12,500
6,114	6,114	5	JS ABAMCO	30,539	30,552
20,000	-	5	Kohat Cement(SUKUK)	72,450	-
23,951	-	5	Maple Leaf Cement Factory Ltd	107,779	-
2,661	-	5	Optimus Ltd	12,255	-
798	-	100	Orix Leasing Pakistan Limited	79,703	-
33,000	-	5	Pak American Fertilizer Ltd	131,881	-
8,516	-	5	Pak American Fertilizer Ltd	38,455	-
26,000	26,000	5	Pakistan Mobile Company Limited - 3rd issue	129,818	129,870
-	10,000	5	Pakistan Mobile Communication - 1st issue	-	30,000
12,774	-	5	Pakistan Mobile Communication	60,748	-
8,000	-	5	PEL(Sukuk)	32,626	-
16,000	-	5	PEL(Sukuk)	70,743	-
50,000	-	5	PEL(Sukuk)	250,000	-
90,000	-	5	PEL(Sukuk)	450,000	-
21,000	21,000	5	Pakistan International Airline (PIA)	74,355	74,371
10,000	-	5	Security Leasing(SUKUK)	33,989	-
15,000	-	5	Security Leasing(SUKUK)	42,635	-
3,000	-	5	SME Leasing	7,594	-
10	10	15,000	Syed Bhai (Pvt) Ltd	148,297	150,000
260,000	260,000	5	Pak American Fertilizer	1,299,220	1,299,740
300,000	-	5	Sui Southern Gas Company	1,500,000	-
500,000	-	5	Power Holding	2,500,000	-
32,000	-	5	Arzoo Textile	160,000	-
				8,624,052	2,746,540

Other particulars of unlisted TFCs are as follows:

<u>Particulars</u>	<u>Mark-up rate per annum</u>	<u>Mark-up payment</u>	<u>Redemption terms</u>
Azgard Nine Limited - 1st issue	6 months KIBOR + 225 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Al-Abbas Sugar Mills Limited	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	In 10 equal semi-annual installments starting from 18th month from the issue date.
Bank Alfalah limited	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden House(SUKUK)	6 months KIBOR + 250 bps with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pak Ltd	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
JDW Sugar Mills	3 months KIBOR + 125 bps without any floor or cap	Quarterly	In eighteen unequal quarterly installments starting from 21st month of the first drawdown.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
JS ABAMCO	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
Kohat Cement(SUKUK)	6 months KIBOR + 180 bps without any floor or cap	Semi-annually	In ten semi-annual installments with the last falling due on September 2012.
Maple Leaf Cement Factory Ltd	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	In eight stepped-up semi-annual installments starting from 30th month from the date of contribution.
Optimus Ltd	6 months KIBOR + 210 bps without any floor or cap	Semi-annually	0.12% of principal in the first 36th month and remaining principal in four equal semi-annual installments of 24.97% each starting from 42th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pak American Fertilizer Ltd (Sukuk)	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Pak American Fertilizer Ltd	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	Up to ten consecutive equal semi-annual installments starting from 30th month from the issue date.

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Pakistan Mobile Company-3rd issue	6 months KIBOR (ask) + 285 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 54th month.
Pakistan Mobile Communication	6 months KIBOR + 130 bps without any floor or cap	Semi-annually	In two equal semi-annual installments starting from 30th month.
PEL (Sukuk)	3 months KIBOR (ask) + 175 bps with a Floor of 10.00% and Cap of 25.00%	Quarterly	In fourteen quarterly units, the first unit falling due not later than end of seventh quarter from the issue date.
PEL (Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Quarterly	In not less than sixteen quarters starting not later than 39th month of 1st drawdown.
PEL(Sukuk)	6 months KIBOR + 300 bps without any floor or cap	Semi-annually	In twelve unequal semi-annual installments starting from 6th month from the issue date.
PEL(Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Semi-annually	In sixteen quarterly units, the first unit falling due not later than end of 39th month from the issue date.
Pakistan International Airline (PIA)	SBP discount rate + 50 bps with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Security Leasing(SUKUK)	6 months KIBOR + 200 bps with a Floor of 2.00% . and Cap of 40.00%	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing(SUKUK)	6 months KIBOR + 195 bps without any floor or cap	Semi-annually	In eight equal semi-annual installments starting from 18th month.
SME Leasing	3 months KIBOR + 150 bps without any floor or cap	Quarterly	Up to twelve equal quarterly installments starting from 3rd month from the issue date.
Syed Bahis (Pvt) Ltd	3 months KIBOR (ask) + 300 bps without any floor or cap	Quarterly	In sixteen equal quarterly installments starting from 27th month from the issue date.
Pak American Fertilizer	3 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Sui Southern Gas Company	3 months KIBOR (ask) + 24 bps with a Floor of 5.00% and Cap of 20.00%	Quarterly	Not less than eight consecutive quarterly units the first unit falling due not later than 33rd month from the last draw down date.
Power Holding	6 months KIBOR (ask) + 200 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 30th month from the issue date.
Arzoo Textile (Sukuk)	6 months KIBOR + 200 bps for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.

7. Quality of available-for-sale securities

	2009		2008	
	Market value (Rupees in '000)	Rating	Market value (Rupees in '000)	Rating
Federal government securities				
Market Treasury Bills	32,838,016	Un-rated	1,928,446	Un-rated
Pakistan Investment Bonds	1,228,540	Un-rated	557,379	Un-rated
Government of Pakistan Ijara Sukuk Bonds	10,099	Un-rated	9,540	Un-rated
	<u>34,076,655</u>		<u>2,495,365</u>	
Ordinary shares of listed companies				
First Credit and Investment Bank Limited	15,445	Un-rated	13,785	Un-rated
First National Bank Modaraba	3,393	A+, A-1	2,934	A+, A-1
First Punjab Modaraba	128,012	-	142,573	-
Faysal Bank Limited	12,354	Un-rated	-	-
Hub Power Company Limited	30,469	Un-rated	-	-
Trust Investment Bank Limited (Formerly Trust Leasing and Investment Bank Limited)	22,124	A-, A2	124,132	A-, A2
Trust Modaraba	1	Un-rated	-	-
World Call Telecom Limited	4,103	Un-rated	-	-
Zephyr Textile Limited	12,615	Un-rated	8,104	Un-rated
	<u>228,516</u>		<u>291,528</u>	
Preference shares of listed companies				
Azgard Nine Limited	30,290	A+, A1	86,851	A+, A1
Fazal Cloth Mills Limited	25,000	Un-rated	25,000	Un-rated
Pak Elektron Limited (PEL)	80,000	A, A1	80,000	A, A1
Shakarganj Mills Limited	67,425	BBB+, A2	76,500	BBB+, A2
	<u>202,715</u>		<u>268,351</u>	
Listed Term Finance Certificates				
Al-Zamin Leasing Modaraba - 2nd issue (Formerly Crescent Leasing Corporation Limited)	-		9,784	Un-rated
Askari Bank	48,679	AA	-	-
Azgard Nine Limited	27,499	AA-	-	-
Bank AL Habib Limited	174,930	AA	-	-
Bank AL Habib Limited - 1st issue	9,162	AA	9,823	AA-
Engro Chemical Pak Ltd	45,417	Un-rated	-	-
Jahangir Siddiqui & Co Ltd	6,028	AA+	-	-
Jahangir Siddiqui & Co Ltd	1,372	AA+	-	-
Jahangir Siddiqui & Co Ltd	25,571	AA+	-	-
JS ABAMCO	50,857	Un-rated	-	-
JS Investments Limited - class A	-		64,000	AA+
NIB Bank Ltd	15,620	A	-	-
Orix Leasing Pakistan Limited	167,236	AA+	202,738	AA+
Pak Arab Fertilizers Ltd	78,159	AA	-	-
Standard Chartered Bank (Pakistan) Limited - 2nd issue	34,241	AAA	46,898	AAA
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	-		9,095	AA-
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	4,328	A	11,962	A
United Bank Limited	38,694	AA	-	AA-
United Bank Limited - 1st issue	44,284	AA	43,683	AA
World Call Communication	19,553	A	30,390	AA-
	<u>791,630</u>		<u>428,373</u>	

Annexure-II

	2009		2008	
	Carrying value	Rating	Cost	Rating
	Rupees in '000'		Rupees in '000'	
Unlisted Term Finance Certificates				
Azgard Nine Limited	499,700	AA-	499,800	AA-
Azgard Nine Limited - 2nd issue	-		22,892	A1+
Azgard Nine Limited	-		12,500	AA-
Al Abbas Sugar Millis	26,456	A+	-	
Bank alfalah Limited	50,000	AA-	-	
Crescent Steel and Allied Products Limited - 1st issue	-		9,375	AA-
Eden House(SUKUK)	344,183	Un- Rated	-	
Engro Chemical Pak Ltd	48,832	AA	-	
Escorts Investment Bank Limited - 1st issue	-		49,960	A+
JDW Sugar Mills Limited	400,000	A	400,000	Un- Rated
Jahangir Siddiqui & Co Ltd	21,794	AA+	24,980	AA+
Jamshoro Joint Venture Limited	-		12,500	AA+
JS ABAMCO	30,539	AA-	30,552	AA-
Kohat Cement(SUKUK)	72,450	Un- Rated	-	
Maple Leaf Cement Factory Ltd	107,779	D	-	
Optimus Ltd	12,255	A	-	
Orix Leasing Pakistan Limited	79,703	AA+	-	
Pak American Fertilizer Ltd	131,881	A+	-	
Pak American Fertilizer Ltd	38,455	A+	-	
Pakistan Mobile Company Limited - 3rd issue	129,818	AA-	129,870	AA-
Pakistan Mobile Communication - 1st issue	-		30,000	AA-
Pakistan Mobile Communication	60,748	AA-	-	
PEL(Sukuk)	32,626	A	-	
PEL(Sukuk)	70,743	A	-	
PEL(Sukuk)	250,000	A+	-	
PEL(Sukuk)	450,000	A+	-	
Pakistan International Airline (PIA)	74,355	Un-Rated	74,371	Un- Rated
Security Leasing(SUKUK)	33,989	Un-Rated	-	
Security Leasing(SUKUK)	42,635	Un-Rated	-	
SME Leasing	7,594	Un-Rated	-	
Syed Bhai (Pvt) Ltd	148,297	Un-Rated	150,000	Un- Rated
Pak American Fertilizer	1,299,220	A+	1,299,740	Un- Rated
Sui Southren Gas Company	1,500,000	AA	-	
Power Holding	2,500,000	Un-Rated	-	
Arzoo Textile	160,000	Un-Rated	-	
	<u>8,624,052</u>		<u>2,746,540</u>	

Annexure-II

	2009		2008	
	Market value Rupees in '000'	Rating	Market value Rupees in '000'	Rating
Mutual Funds				
NIT Units	5,625,161	5-Star	4,174,315	5-Star
Open ended mutual funds				
ABL Income Fund	197,399	AA,A+(f)	-	
AKD Income Value Fund	9,247	BBB(f)	40,616	A- (f)
AKD Opportunity Fund	-	25,575		Un-rated
Alfalah GHP Multiplier Fund	-	187,948		Un-rated
AMZ Plus Income Fund	-		888,219	5-Star
AMZ Plus Stock Market Fund	159,091	2-Star	197,751	3-Star
Askari Asset Allocation Fund	-		22,975	Un-rated
Atlas Income Fund	144,375	4-Star	133,869	5-Star
Atlas Islamic Fund	-		14,266	Un-rated
Atlas Stock Market Fund	137,323	5-Star	73,174	5-Star
BMA Chundrigar Road Saving Fund	-		97,312	A (f)
Crosby Dragon Fund	-		45,276	Un-rated
Faysal Balanced Growth Fund	-		41,253	Un-rated
Faysal Saving Growth	1,756,781	A (f)	1,772,999	A (f)
First Habib Income Fund	90,816	Un-rated	85,577	Un-rated
IGI Income Fund	26,005	Un-rated	95,964	Un-rated
IGI Stock Fund	34,872	Un-rated	25,481	Un-rated
JS - Islamic Fund	60,804	4-Star	43,545	4-Star
JS A30 + Fund	-		9,646	4-Star
JS Aggressive Asset Allocation Fund	-		20,419	4-Star
JS ABAMCO Capital Protected Fund	-		107,414	Un-rated
JS Fund of Funds	-		10,704	4-Star
JS Income Fund	-		1,868,668	5-Star
JS-Capital Protected Fund II	-		54,525	Un-rated
JS-Capital Protected Fund III	-		10,473	Un-rated
KASB Balanced Fund	112,735	Un-rated	149,506	Un-rated
KASB Liquid Fund	99,879	Un-rated	100,140	Un-rated
KASB Stock Market Fund	-	Un-rated	46,784	Un-rated
MCB Dynamic Stock Fund	162,445	Un-rated	95,095	Un-rated
NAFA Cash Fund	-		272,470	A (f)
NAFA Stock Fund	121,622	Un-rated	91,846	Un-rated
NAMCO Income Fund	61,154	Un-rated	52,623	Un-rated
Pakistan International Element Islamic Fund	97,976	3-Star	65,881	4-Star
Pakistan Stock Market Fund	117,589	5-Star	72,607	5-Star
Pakoman Advantage Islamic Fund	-		24,920	Un-rated
Pakoman Advantage Islamic Income Fund	-		25,270	Un-rated
POBOP Advantage Fund	698,369	Un-rated	671,329	Un-rated
Reliance Income Fund	332,918	Un-rated	390,056	Un-rated
Unit Trust of Pakistan	239,498	5-Star	162,300	5-Star
United Growth & Income Fund	278,703	A (f)	736,122	A (f)
Close ended mutual funds				
Atlas Fund of Funds	4,388	5-Star	4,138	5-Star
JS-Large Capital Fund (ABAMCO Composite Fund)	92,000	5-Star	64,800	4-Star
NAMCO Balance Fund	35,400	Un-rated	70,875	Un-rated
Pakistan Capital Protected Fund	400,000	Un-rated	426,400	Un-rated
Pakistan Strategic Allocation Fund	77,700	4-Star	48,300	4-Star
	11,174,250		13,619,426	

The above ratings represent instrument ratings for the respective securities. Wherever instrument ratings are not available, un-rated have been disclosed. Two ratings in one column represent long-term and short-term ratings of the entity respectively. The ratings have been obtained from Pakistan Credit Rating Agency (PACRA) and JCR-VIS.

List of Foreign Correspondent Banks 2009

(1) Australia

Australia & New Zealand Banking Group Ltd Melbourne
Australia & New Zealand Banking Group Ltd Sydney
Australia & New Zealand Banking Group Ltd Brisbane
Australia & New Zealand Banking Group Ltd Adelaide
Australia & New Zealand Banking Group Ltd Perth
JP Morgan Chase Bank N.A Sydney

(2) Austria

Bank Austria AG Vienna
Bank Austria Creditans Anstalt AG Vienna
Citi Bank Vienna
Raiffeisenland Bank Niederoesterreich Vienna
Raiffeisen Central Bank Oesterreich Vienna
Raiffeisenland Bank Oberoesterreich Linz

(3) Bahrain

United Bank Limited Manama
Bank Al Habib Limited Manama
BNP Paribas Manama, Full Commercial
Br (Fcb) Manama
Mashreq Bank Manama

(4) Bangladesh

Habib Bank Limited Dhaka
Social Investment Bank Limited Dhaka
Woori Bank, Dhaka Dhaka

(5) Belgium

BNP Paribas S.A. Belgium - Belgium Branch Brussels
Citi Bank Belgium NV/SA Brussels
Commerzbank AG, The Brussels Branch Brussels
Credit Europe Bank N.V. Antwerp Branch Antwerpen
Dexia Bank SA Brussels
Fortis Banque Brussels
Habib Bank Limited Brussels
ING Belgium NV/SA Brussels
KBC Bank NV Brussels
KBC Bank NV Kortrijk
KBC Bank NV Antwerpen
The Royal Bank of Scotland n.v. (belgium) Brussels

(6) Brazil

Banco Santander Central Hispano S.A. Sao Paulo
Deutsche Bank S.A. - Banco Alemao Sao Paulo

(7) Bulgaria

United Bulgarian Bank Sofia

(8) Canada

HSBC Bank PLC Toronto
National Bank of Canada Montreal
Royal Bank Of Canada Toronto

(9) China

The Royal Bank Of Scotland N.V.,
(Hong Kong) Branch Hongkong
Abn Amro Bank (China)Co., Ltd Shanghai
Agricultural Bank of china Beijing
Bank Of China (Head Office) Beijing
Bank of China HongKong Limited Hongkong
Bank of Communications Shanghai
Bank Of Jiangsu Co Ltd Nanjing
Bank Of New York Shanghai Branch Shanghai
Bank of Tokyo Mitsubishi Limited Beijing
Bank of Tokyo Mitsubishi Limited Dalian
Bank of Tokyo Mitsubishi Limited Shanghai
Bank of Tokyo Mitsubishi Limited Shenzhen
Bank of Tokyo Mitsubishi Limited Tianjin
China Construction Bank Corporation Beijing
China Merchants Bank Shenzhen
Citi Bank, N.A Hong Kong
Citibank N.A. Shanghai
DBS Bank (Hong Kong) Limited Hong Kong
Deutsche Bank AG Hong Kong
Guangdong Development Bank Guangzhou
HBZ Finance Limited Hong Kong
Hong Kong & Shanghai Banking Corp. Hong Kong
Industrial and Commercial Bank of China Beijing
JP Morgan Chase Bank N.A Beijing
JP Morgan Chase Bank N.A Hong Kong
JP Morgan Chase Bank N.A Shanghai
JP Morgan Chase Bank N.A Tianjin
Laiwu City Commercial Bank Laiwu
Mashreq Bank Hongkong
Nanjing City Commercial Bank Nanjing
National Bank of Pakistan Hongkong
Standard Chartered Bank Hongkong
Standard Chartered Bank Shanghai
The Bank of Nova Scotia Hong Kong
Toronto Dominion Bank Hong Kong
Union De Banques Et Francaises Hong Kong
Habib Bank Limited Hong Kong
Wing Hang Bank Limited Hong Kong
Yinzhou Bank Ningbo

(10) Cyprus

Bank of Cyprus Limited Nicosia
Marfin Popular Bank Public Co Ltd Nicosia
Hellenic Bank Public Company Ltd Nicosia

(11) Croatia

Zagrebacka Banka DD Zagreb

(12) Czech Republic

Citi Bank Prague
HVB Bank Czech Republic A.S. Prague

Commerzbank AG Prague
Raiffeisenbank A.S. Prague

(13) Denmark

Amagerbanken A/S Copenhagen
Danske Bank Copenhagen
Nordea Bank Denmark A/S Copenhagen
SYD Bank A/S Aabenraa

(14) Egypt

Citi Bank Cairo
Mashreq Bank Cairo
National Bank of Egypt Cairo

(15) Ethiopia

Dashen Bank Addis Abeba

(16) Eritrea

Commercial Bank of Eritrea Asmara

(17) Finland

Danske Bank Helsinki
Nordea Bank Finland PLC Helsinki
OKO Osuuspankkien Keskuspankki OYJ Helsinki
Skandinaviska Enskilda Bank Helsinki

(18) Fiji

Bank of South Pacific Limited Fiji

(19) France

BNP-Paribas SA Bank Paris
Citi Bank Paris
Commerz Bank AG Paris
Credit Industriel ET Commercial Paris
Habib Bank Limited UK-PLC Paris
National Bank of Pakistan Paris
Union De Banques Et Francaises Paris

(20) Germany

The Royal Bank Of Scotland N.V. (Germany) Frankfurt
American Express Bank Frankfurt
Bank Of America, N.A. Frankfurt
Bank of Tokyo Mitsubishi Limited Duesseldorf
Bayerische Hypovereins Bank Muenchen
Commerz Bank AG Frankfurt
Commerzbank Ag Hamburg
Deutsche Bank AG Frankfurt
Deutsche Bank AG Hannover
Deutsche Bank AG Bielefeld
Deutsche Bank AG Mainz
Deutsche Bank AG Freiburg Im Breisgau
Deutsche Bank AG Chemnitz
Deutsche Bank AG Erfurt
Deutsche Bank AG Leipzig

Deutsche Bank AG Berlin
 Deutsche Bank AG Rostock
 Deutsche Bank AG Duesseldorf
 Deutsche Bank AG Essen
 Deutsche Bank AG Koeln
 Deutsche Bank AG Bremen
 Deutsche Bank AG Hamburg
 Deutsche Bank AG Muenchen
 Deutsche Bank AG Mannheim
 Deutsche Bank AG Stuttgart
 Deutsche Bank Privat-Und Geschaefstkunden
 Ag Frankfurt
 Commerzbank AG (formerly Dresdner Bank
 AG) Frankfurt
 HSBC Trinkaus UND Burkhardt AG Duesseldorf
 HSH Nordbank AG Hamburg
 Kreissparkasse Koeln Koeln
 Landesbank Baden-Wuerttemberg Stuttgart
 M.M.warburg Hamburg
 National Bank AG Essen
 National Bank of Pakistan Frankfurt
 SEB AG (Skandinaviska Enskilda Bank) Frankfurt
 Shinhan Bank Europe GMBH Frankfurt
 Sparkasse Pforzheim Calw Pforzheim
 Sparkasse Westmunsterland Ahaus
 Standard Chartered Bank Limited Frankfurt
 Suedwest Bank Stuttgart
 Westlb AG Duesseldorf

(21) Greece

Alpha Bank Athens
 National Bank of Greece Athens
 Bank Of Cyprus Public Company Limited Athens

(22) Hungary

Citi Bank Budapest
 Unicredit Bank Hungary Zrt. Budapest
 Raiffisen Bank ZRT. Budapest
 Central-European International Bank Ltd. Budapest

(23) Ice Land

Landsbanki Islands Reykjavik

(24) India

The Royal Bank Of Scotland N.V. (India) Mumbai
 Bank of Tokyo Mitsubishi Limited New Delhi
 Canara Bank Mumbai
 Central Bank of India Mumbai
 Citibank N.A Mumbai
 Deutsche Bank AG Mumbai
 JP Morgan Chase Bank N.A Mumbai
 Mashreq Bank Mumbai
 Punjab National Bank Mumbai
 Shinan Bank Mumbai

Standard Chartered Bank Mumbai
 BNP Paribas India Mumbai

(25) Indonesia

Abn Amro Bank Jakarta
 Bank Mandiri Jakarta
 JP Morgan Chase Bank N.A Jakarta
 NISP Bank Jakarta
 Standard Chartered Bank Jakarta
 Woori Bank, Indonesia PT Jakarta
 Bank Sinarmas Jakarta

(26) Iran

Bank Saderat Iran Tehran
 Bank Melli Iran Tehran

(27) Ireland

Citi Bank Dublin
 Bank of Scotland Dublin

(28) Italy

Veneto Banca Holding Montebellun
 Banca Agricola Mantovana SPA Mantova
 Banca Antonveneta Spa Padova
 Banca Di Roma S.P.A. Roma
 Banca Intesa SPA Milano
 Banca Monte Dei Paschi Di Siena S.P.A. Milano
 Banca Popolare Di Milano S.C.A.R.L. Milano
 Banca Popolare Di Vicenza Vicenza
 Banca Popolare Friuladria SPA Pordenone
 Banca Toscana S.PA Firenze
 Banca Ubae Spa Roma
 Banco Popolare Di Verona E Novera Verona
 Banco Popolare Verona
 Bayerische Hypo Und Vereinsbank Milano
 Bipop-Carire SPA Brescia
 Capitalia SPA (Banca De Roma S.PA) Roma
 Cassa Di Risparmio Di Firenze S.PA. Firenze
 Commerzbank AG Milano
 Credito bergamasco S.PA Bergamo
 Iccrea Banca, Milano Branch Milano
 Iccrea Banca-Istituto Centrale Del Credito Roma
 Intesa Sanpaolo SPA (Formerly Banca Intesa
 SPA) Milano
 Sanpaolo Banco Di Napoli Spa Napoli
 UBI Banca
 Unicredit Banca D'impresa Spa Verona
 Unicredit Private Banking Spa Torino
 Unicredito Italiano Roma
 Unicredito Italiano SPA Milano
 Veneto Banca S.C.A.R.L. Montebellun

(29) Jordan

Standard Chartered Bank Amman

(30) Japan

The Royal Bank Of Scotland Plc
 (Former ABN Amro Bank N.V.) Tokyo
 American Express Bank Tokyo
 Bank of Tokyo Mitsubishi Limited Nagoya
 Bank of Tokyo Mitsubishi Limited Osaka
 Bank of Tokyo Mitsubishi Limited Tokyo
 Calyon Tokyo
 Bayerische Hypo-Und Vereinsbank AG Tokyo
 JP Morgan Chase Bank N.A Tokyo
 Hong Kong and Shanghai Banking Corp. Tokyo
 National Bank of Pakistan Tokyo
 Standard Chartered Bank Tokyo
 Sumitomo Mitsui Banking Tokyo
 Union De Banques Et Francaises Tokyo

(31) Kenya

Standard Chartered Bank Nairobi

(32) Kazakhstan

Citi Bank Alma-ata
 Bank Turanalem Almaty

(33) Kuwait

Alahli Bank Of Kuwait K.S.C. Kuwait
 Commercial Bank of Kuwait SAK Kuwait
 National Bank of Kuwait Kuwait

(34) Korea

The Royal Bank Of Scotland N.V. (Seoul), Formerly
 Known As Abn Amro Bank N.V., Seoul Branch Seoul
 Bank of Tokyo Mitsubishi Limited Seoul
 JP Morgan Chase Bank N.A Seoul
 Kookmin Bank Seoul
 Korea Development Bank Seoul
 Korea Exchange Bank Seoul
 National Bank of Pakistan Seoul
 Pusan Bank Pusan
 Shinhan Bank Seoul
 Standard Chartered Bank Seoul
 (U.B.A.F)Union De Banques Et Francaises Seoul
 Woori Bank Seoul
 Bank Of Tokyo-Mitsubishi UFJ, Ltd., Seoul
 Daegu Bank, Ltd.,The Daegu

(35) Lebanon

Citi Bank Beirut
 Credit Libanais S.A.L. Beirut
 Habib Bank Limited Beirut

(36) Malaysia

The Royal Bank Of Scotland Berhad Kuala Lumpur
 Alliance Bank Malaysia Berhad Kuala Lumpur
 JP Morgan Chase Bank N.A Kuala Lumpur

Standard Chartered Bank Kuala Lumpur
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad Kuala Lumpur

(37) Morocco

Attijariwafa Bank(Formerly Banque Comm. DU Maroc)
Casablanca
Citi Bank Casablanca

(38) Mauritius

Mauritius Commercial Bank Port Louis
Mauritius Post&Co-operative Bank Port Louis

(39) Myanmar

Mayanma Investment & Comm. Bank Yangon

(40) Macao

Hongkong and Shanghai Banking Corp Macau
Bnp Paribas Macau Branch Macau

(41) Norway

Den Norske Bank Oslo
Nordea Bank Norge Oslo
Fokus Bank, Part Of Danske Bank Group Trondheim

(42) Netherlands

Abn Amro Bank Amsterdam
BNP Paribas S.A. - The Netherlands Branch Amsterdam
Citi Bank Amsterdam
Commerz Bank AG Amsterdam
Credit Europe Bank NV Amsterdam
Fortis Bank (Nederland) N.V. Rotterdam
Fortis Bank (Nederland)N.V. Rotterdam
Habib Bank Limited UK PLC Rotterdam
Hollandsche Bank Rotterdam
ING Bank N.V. Amsterdam
Korea Exchange Bank, Amsterdam Branch Amstelveen

(43) Newzealand

Australia and New Zealand Bank Wellington

(44) Nigeria

Citi Bank Lagos

(45) Oman

Bank Muscat SAOG Muscat

(46) Romania

HVB Bank Romania SA Bucharest

(47) Pakistan

The Royal Bank Of Scotland Limited Karachi
Allied Bank Limited Karachi
Arif Habib Rupali Bank Limited Karachi
Askari Commercial Bank Ltd Rawalpindi
Atlas Bank Limited Karachi

Bank Al Falah Limited Karachi
Bank Al Habib Limited Karachi
Bank Islami Pakistan Limited Karachi
Bank of Tokyo-Mitsubishi UFJ Ltd. Karachi
Citi Bank Karachi
Crescent Commercial Bank Limited Karachi
Deutsche Bank AG Karachi
Dubai Islamic Bank Pakistan Limited Karachi
Emirates Global Islamic Bank Limited Karachi
Faysal Bank Limited Karachi
First Dawood Islamic Bank Karachi
Habib Bank Limited Karachi
Habib Metropolitan Bank Ltd. Karachi
Hongkong And Shanghai Banking Corp Ltd Karachi
JS Bank Limited Karachi
KASB Bank Limited Karachi
Meezan Bank Limited Karachi
MCB Bank Limited Karachi
My Bank Ltd. Karachi
National Bank of Pakistan Karachi
NIB Bank Limited Karachi
PICIC Commercial Bank Limited. Karachi
Silk Bank Limited Karachi
Soneri Bank Limited Karachi
Standard Chartered Bank Karachi
The Bank Of Khyber Peshawar
United Bank Limited Karachi
Albaraka Islamic Bank B.S.C. (E.C.) Karachi

(48) Philippines

Banco De Oro Universal Bank Mandaluyong
Development Bank of Philippines Manila
Equitable PCI Bank, INC. Manila
Asian Development Bank Manila

(49) Portugal

Banco BPI SA Lisbon
Fortis Bank Lisbon

(50) Poland

Bank Handlowy w Warszawie SA Warszawa
ING Bank Slaski I SA Katowice
Nordea Bank Polska S.A. Gdynia

(51) Papua New Guinea

Bank Of South Pacific Limited Port Moresby

(52) Qatar

United Bank Limited Doha
Doha Bank Doha
Mashreq Bank Doha
BNP Paribas, Doha Doha

(53) Russia

Citi Bank Moscow
MDM Bank (Open Joint-Stock Company) Moscow

(54) Saudi Arabia

Alinma Bank Riyadh
Bank Al-Jazira Jeddah
Banque Saudi Fransi Riyadh
Islamic Development Bank Jeddah
Samba Financial Group Riyadh
JP Morgan Chase Riyadh
Saudi Hollandi Bank Riyadh
Bank Al Bilad Riyadh
National Bank of Pakistan Riyadh

(55) Singapore

The Royal Bank Of Scotland N.V. (Singapore)
Singapore
Bank Mandiri(Persero) PT Singapore
Bank of America Singapore
Bank of Tokyo Mitsubishi Limited Singapore
Bayerische Hypo-Und Vereinsbank Singapore
Citi Bank Singapore
Commerz Bank AG Singapore
Deutsche Bank AG Singapore
Fortis Bank Singapore
Habib Bank Limited Singapore
HSBC Bank USA,N.A., Singapore
JP Morgan Chase Bank N.A Singapore
KBC Bank Singapore Branch Singapore
Shinan Bank Singapore
Skandinaviska Enskilda Singapore
Standard Chartered Bank Singapore
Sumitomo Mitsui Banking Corporation Singapore
The Hongkong And Shanghai Banking Corporation Limited, Singapore
Union De Banques Et Francaises Singapore

(56) Slovenia

Bank Austria Creditans Anstalt Ljubljana

(57) Sudan

Blue Nile Mashreg Bank Khartoum

(58) Spain

Banco De Sabadell S.A. Sabadell
Bankinter,S.A Madrid
BNP Paribas S.A. Sucursal En Espana Madrid
Caixa D'Estalvis De Catalunya Barcelona
Caixa D'Estalvis I Pensions De Barcelona Barcelona
Caja Espana De Inversiones Leon
Caja de Ahorros de Galicia Madrid
Caja De Ahorros Del Mediterraneo Alicante
Citi Bank International PLC Madrid
Citibank Espana S.A Madrid
Commerz Bank AG Madrid
Fortis Bank Madrid

(59) Sri Lanka

NDB Bank Limited Colombo

Hatton National Bank Limited Colombo
Habib Bank Limited Colombo
Bank of Ceylon Colombo

(60) South Africa

First Rand Bank Durban
HBZ Bank Limited Durban

(61) Sweden

The Royal Bank Of Scotland N.V. (Nordic) Stockholm
Citi Bank Stockholm
Nordea Bank Sweden Stockholm
Skandinaviska Enskilda Stockholm
Svenska Handelsbanken Stockholm
Svenska Handelsbanken Malmo

(62) Switzerland

The Royal Bank Of Scotland N.V.,
Amsterdam, Zurich Branch Zurich
Abn Amro Bank (Switzerland) A.G. Zurich
Banque Cantonale Vaudoise Lausanne
Banque De Commerce Et De Placements S.A. Geneva
BNP Paribas (Suisse) SA Geneva
Commerz Bank AG Zurich
Credit Agricole (Suisse) SA Geneva
Credit Suisse Zurich
HSBC Guyerzeller Bank AG Zurich
United Bank Limited Zurich
Zuercher Kantonal Bank Zurich
Habibsons Bank Limited Zurich
Habib Bank AG Zurich Zurich

(63) Scotland

Bank of Scotland Dublin
Citibank Europe PLC Dublin

(64) Slovakia

Unibanka, A.S., (Unicredito Italiano Group) Bratislava
Commerzbank AG Bratislava

(65) Taiwan

Australia And New Zealand Banking Group Limited,
Taiwan Branch (Formerly Known As Abn Amro
Bank N.V) Taipei
Bank Of New York Taipei
Bank of Tokyo Mitsubishi Limited Taipei
Citibank N.A., Taipei Branch Taipei
HSBC Bank (Taiwan) Limited Taipei
JP Morgan Chase Bank N.A Taipei
The Hongkong And Shanghai Banking
Corporation Ltd. Taipei
Standard Chartered Bank Taipei
Sumitomo Mitsui Banking Corporation Taipei

(66) Tunisia

Arab Banking Corporation Tunis

Banque International Arabe De Tunisie Tunis

(67) Thailand

Bank of Tokyo Mitsubishi Limited Bangkok
Export-Import Bank of Thailand Bangkok
JP Morgan Chase Bank N.A Bangkok
Standard Chartered Bank Bangkok
Sumitomo Mitsui Banking Corporation Bangkok

(68) Turkey

Habib Bank UK-PLC Istanbul
Oyak Bank A.S. Istanbul
Tekstil Bankası A.S. Istanbul
Turkiye Garanti Bankasi Istanbul
Turkiye IS Bankasi Istanbul
Yapi Ve kredi bankasi Istanbul
Oyak Bank A.S.(Head Office) Istanbul
T Bank-Turk land Bank A.S. Istanbul
Fortis Bank A.S. Istanbul

(69) United Arab Emirates

BNP Paribas Dubai
BNP Paribas Abu-Dhabi
Citi Bank Dubai
Commercial Bank of Dubai Dubai
Doha Bank Dubai
Emirates Bank International PJSC Dubai
Emirates Islamic Bank Dubai
First Gulf Bank Abu-Dhabi
Habib Bank A.G. Zurich Dubai
HSBC Bank Middle East Limited Dubai
HSBC Bank Middle East Ltd Dubai
Mashreq Bank Dubai
National Bank of Fujairah Fujairah
Standard Chartered Bank Dubai
Union National Bank Abu-Dhabi
United Bank Limited Sharjah
Habib Bank Limited Dubai

(70) United Kingdom

Bank Leumi UK-PLC London
Bank Of America, N.A. London
Bank Of Cyprus UK London
Bank of Tokyo Mitsubishi Limited London
Citi Bank London
Commerz Bank AG London
EFG Private Bank Limited London
Habib Bank AG Zurich London
Habib Bank UK-PLC London
HSBC Private Bank (UK) Ltd. London
JP Morgan Chase Bank London
KBC Bank NV London
Landsbanki Islands Hf, London Branch London
Mashreq Bank London
National Westminster Bank London
Nordea Bank Finland Plc London Branch London

Northern Bank (Part Of Danske Bank Group) Belfast
Shinhan Bank London Branch London
Standard Chartered Bank London
United National Bank London
Habibsons Bank Ltd London

(71) United States

The Royal Bank Of Scotland N.V. (New York) Newyork
The Royal Bank Of Scotland N.V. (New York) Chicago
American Express Bank Newyork
Bank Of America, N.A. Newyork
Bank of Newyork Newyork
Bank of Tokyo Mitsubishi Limited Newyork
Bank of Tokyo Mitsubishi Limited Los Angeles
BNP Paribas U.S.A Newyork
Citi Bank Newyork
Commerce Bank N.A Kansas
Commerz Bank AG Newyork
Credit Suisse Bank Newyork
Deutsche Bank Trust Company Americas Newyork
Doha Bank Newyork
First Commercial Bank Birmingham
Habib American Bank Newyork
Habib Bank Limited Newyork
HSBC Bank USA,N.A Newyork
JP Morgan Chase Bank Newyork
Keybank National Association Cleveland,OH
Mashreq Bank Newyork
National Bank of Pakistan Newyork
National City Bank Cleveland Cleveland
Regions Bank Birmingham
Standard Chartered Bank Newyork
State Bank of India(California) Artesia
Sumitomo Mitsui Banking Corporation Newyork
Srterling National Bank Newyork
U.S Bank Minneapolis
UMB Bank, N.A. Kansas City
United Bank Limited Newyork
Washington Mutual Bank Seattle
Wells Fargo Bank Newyork
Wells Fargo Bank San Francisco
Woori Bank Los Angeles
China Construction Bank New York Branch Newyork

(72) Vietnam

Standard Chartered Bank Hanoi
Shinanvina Bank Ho Chi Minh

(73) Zambia

Standard Chartered Bank Lusaka

Form of Proxy

I/We _____

(Name and Folio No./Participant Account No. & Sub-Account No.)

of _____

(Place)

being a member(s) of THE BANK OF PUNJAB hereby appoint

(Name and Folio No./Participant Account No. & Sub-Account No.)

of _____

(Place)

another member of the Bank as my / our proxy to attend, speak and vote on my / our behalf at the 21st Annual General Meeting of the Bank to be held on **Wednesday, 30th May, 2012 at 9:30 a.m.** at Qasar-e-Noor, Main Boulevard, Gulberg-III, Lahore and at any adjournment thereof.

Signed this _____ Day _____ 2012.

WITNESSES:

1. Signature: _____

Name: _____

Address: _____

CNIC or
Passport No. _____

Five Rupees
Revenue Stamp

Signature of Member(s)

2. Signature: _____

Name: _____

Address: _____

CNIC or
Passport No. _____

NOTE:

This form of proxy duly completed must be deposited at **Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore** by not less than 48 hours before the time fixed for the Meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary

The Bank of Punjab

BOP Tower, Secretary's Office,
10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore.

w w w . b o p . c o m . p k



Head Office:
BOP Tower, 10-B, Block E/II,
Main Boulevard,
Gulberg-III, Lahore.
UAN: 111-200-100