



In the Name of

**ALLAH**

The Most Gracious,  
The Most Merciful





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# Corporate Information

BANK ALFALAH LIMITED  بنك الفلاح المحدود

## Board of Directors

H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	Chairman
Mr. Abdulla Khalil Al Mutawa	Director
Mr. Abdulla Nasser Hawaileel Al-Mansoori	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Ikram Ul-Majeed Sehgal	Director
Mr. Nadeem Iqbal Sheikh	Director
Mr. Sirajuddin Aziz	Chief Executive Officer

## Board Audit Committee

Mr. Abdulla Khalil Al Mutawa	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Nadeem Iqbal Sheikh	Director
Mr. Yasar Rashid	Secretary

## Board Credit, Finance and HR Committee

Mr. Abdulla Khalil Al Mutawa	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Nadeem Iqbal Sheikh	Director
Mr. M. Iftikhar Shabbir	Secretary

## Board Risk Management Committee

Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Abdulla Khalil Al Mutawa	Director
Mr. Ikram-ul-Majeed Sehgal	Director
Mr. Haroon Khalid	Secretary

## Central Management Committee

Mr. Sirajuddin Aziz	Chairman
Mr. Parvez A. Shahid	Co-Chairman
Mr. Shakil Sadiq	Member
Mr. Mohammad Yousuf	Member
Mr. Nadeemul Haq	Member
Mr. Bakhtiar Khawaja	Member
Mr. Adil Rashid	Member
Mr. Ijaz Farooq	Member
Mr. Arfa Waheed Malik	Member
Mr. Ashfaq A. Qureshi	Secretary

## Chief Operating Officer

Mr. Shakil Sadiq

## Company Secretary

Mr. Hamid Ashraf

## Chief Financial Officer

Mr. Zahid Ali H. Jamall

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants

## Registered / Head Office

B. A. Building  
I. I. Chundrigar Road  
Karachi.

## Website

[www.bankalfalah.com](http://www.bankalfalah.com)

# NOTICE OF THE 18TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 18th Annual General Meeting of Bank Alfalah Limited will be held on Wednesday, 14th April 2010 at 12:00 PM at Crystal Ballroom, Karachi Marriott hotel, Karachi, to transact the following business:

## Ordinary Business:

1. To confirm the Minutes of the Extra-Ordinary General Meeting held on 27th May 2009.
2. To receive, consider and adopt the audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2009 together with Directors' Report and Auditors' Report thereon.
3. To approve as recommended by the Board of Directors, payment of cash dividend @80 paise per share, i.e. 8%.
4. To appoint Auditors of the Bank for the year 2010 and fix their remuneration.

## Special Business:

5. To approve the remuneration paid to the non-executive directors of the Bank for attending Board meetings and meetings of the Board Committees for the year ended December 31, 2009 and to pass the following resolution as an Ordinary Resolution:

"RESOLVED that the remuneration paid to the non-executive directors of the Bank for attending Board meetings and meetings of the Board Committees, as disclosed in notes 27 and 36 of the audited Annual Accounts of the Bank for the year ended December 31, 2009, be and is hereby approved."

6. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi  
Dated: 22nd March 2010

**HAMID ASHRAF**  
Company Secretary

## NOTES:

1. The statement of material facts under Section 160(1)(b) of the Companies Ordinance 1984 relating to the aforesaid Special Business to be transacted at the Annual General Meeting is being sent to the Members with the Notice.
2. The Share Transfer Books of the Bank will remain closed from 7th April 2010 to 14th April 2010 (both days inclusive). Transfers received at the office of our Share Registrar, M/s. F. D. Registrar Services (SMC-Pvt) Limited, before the close of business on 6th April 2010 will be treated in time for the purpose of entitlement of cash dividend.
3. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
4. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, F.D. Registrar Services (SMC-Pvt) Limited, 1700-A, 17th Floor, Saima Trade Tower, I.I.Chundrigar Road, Karachi, not less than 48 hours before the time of the Meeting.

5. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC) are requested to bring their original Computerized National Identity Card (CNIC) alongwith participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited alongwith the Form of Proxy with our Share Registrar as per paragraph No. 4 above. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
6. Shareholders are requested to notify change in their address, if any, to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.

### STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984 CONCERNING THE AGENDA ITEM NO. 5

Pursuant to Prudential Regulation G-1(C) the Board of Directors on 29th June 2009 fixed the following remuneration to be paid to the non-executive directors of the Bank for attending Board/Board Committee meetings:

- USD 6,250/- to each foreign director and Pak Rs 125,000/- to each Pakistani director for each Board meeting attended by him, subject to a maximum of USD 25,000/- and Rs 500,000/- respectively during a calendar year.
- USD 4,500/- to each foreign director and Pak Rs 45,000/- to each Pakistani director for each Board Committee meeting attended by him, subject to a maximum of USD 50,000/- and Rs 500,000/- respectively during a calendar year for all meetings of all Board Committees. If the remuneration already paid/to be paid to a non-executive director on the basis of scale of remuneration fixed by the Board of Directors in the 70th Board meeting dated 25th March 2008 for attending Board Committee(s) meetings already held so far in year 2009 exceeds the maximum limit of USD 50,000/- or Rs 500,000/-, as the case may be, no further remuneration will be payable to him for attending Board Committee(s) meetings which may be held subsequently in year 2009.

No remuneration is being paid to the Chairman of the Bank for attending Board meetings.

Mr Ikram ul-Majeed Sehgal, non-executive director, is not taking any remuneration for attending Board and Board Committee meetings.

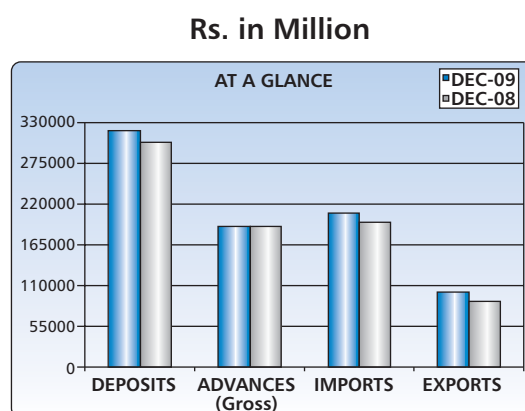
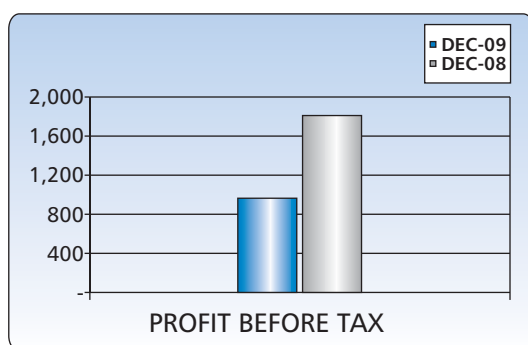
Except the Chairman and Mr Ikram ul-Majeed Sehgal, the other non-executive directors are interested to the extent stated above in the Special Business.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

2009      2008  
(Rupees in '000)

The Board of Directors is pleased to present the audited financial statements of the Bank for the year 2009.

Profit before provision and Taxation	4,710,862	3,830,717
Provisions	(3,694,546)	(2,035,997)
Profit before Taxation	1,016,316	1,794,720
Taxation	(119,281)	(493,419)
Profit After Taxation	897,035	1,301,301
Earnings per share	Rs. 0.71	Rs. 1.41



### Dividend

The Directors recommend the payment of Cash dividend @ 8 % subject to approval of the Shareholders.

### Operating Results

During the year the bank's profit before taxation stood at Rs. 1,016.316 million compared to Rs. 1,794.720 million for the previous year.

Bank has availed the FSV benefit. The additional profit arising from availing the FSV benefit -net of tax at year end which is not available for either cash or stock dividend to shareholders amounted to Rs.1,562.488 million approx.

We continue to strengthen our presence in the market place and as of year end 2009, we have a network of 321 branches that includes 60 Islamic Banking branches, seven foreign branches five in Bangladesh and two in Afghanistan and one offshore banking unit in Bahrain.

### Initiatives, efforts and key developments

Bank is continuing its drive towards centralization of back office functions. At this stage, the centralization segment has been almost completed. Branches are operating as customer contact points providing a clutter free environment and better customer service. Centralization of processes has led to marked improvement in turnaround times and greater customer satisfaction for more focus and improvement in procedure controls and delivery channels.

Based on bank strategy to realign its IT setup towards T-24 platform, branches and units are continuously and steadily migrating to this new world renowned IT platform. Presently 11 branches and both car and home finance hubs are working on T-24.

The next phase includes rollout of T24 in rest of the branches and Islamic Banking module's Implementation. Implementation of modules like Internet Banking, T-Risk, Anti Money Laundering, Telecommunication upgrade to provide connectivity to Centralized Operations, Automation of Overseas Operations, and fully Automated Regulatory Reporting System is under process.

HR initiatives are now targeting at consolidating existing human resource and devising training, relocation and succession planning initiatives. The learning Centre has been conducting training activities in full swing. The Employee portal has been heavily advertising the launch of new courses including business communication courses which is to be rolled out via video conferencing from Learning Centre South to Lahore and Islamabad. A computerized program of Learning Needs Assessment has been introduced in branches and is running successfully whereby Branch managers can objectively assess training needs of their subordinates prior to sending nominations for relevant courses offered at the learning centre.

### **Economic Overview**

Pakistan's economy has witnessed gradual improvement in a number of macroeconomic indicators such as lower current account deficit, rebuilding of forex reserves and declining inflation. Fiscal discipline has been difficult to maintain because of lower than expected revenue collection and uncontrolled public spending.

Pakistan's real GDP growth was 2.7% in the year 2009. After a peak of 25.3% in August 2008, headline inflation has receded to 10.6% in December 2009 largely helped by high base effect and decline in commodity prices. Fiscal expansion fueled by large outlays to counter the ongoing terrorist activities augment the pressure on internal government finance, thereby diluting the impact of monetary policy. After incorporating improved BoP and inflation outlook, real GDP growth of 3%, the SBP projects 14.5% growth in broad money (M2).

The fundamental outlook for banking sector is changing from neutral to positive, as the banking sector remains to be resilient.

Banking spreads have registered a decline in year 2009. The decrease can be attributed primarily to the drop in lending rates towards the end of the year. Going forward the average industry spreads are expected to contract because of expected reduction in discount rate and lowering of KIBOR.

### **Credit Rating**

PACRA, a premier rating agency of the country, has rated the Bank 'AA' (double A), Entity Rating for Long Term and A1+ (A one plus) for the Short Term. These ratings denote a very low expectation of credit risk, strong capacity for timely payment of financial commitments in the long term and by highest capacity for timely repayment in the short term, respectively. Further, the unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (double A minus).



### Corporate Governance

1. The Bank has implemented the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2009. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed.

2. Statement under clause XIX of the Code:

- a) The financial statements prepared by the management of the Bank, present fairly, the state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. Bank is in the process of adopting an internationally accepted COSO internal Control-Integrated Framework as per SBP Guidelines.
- f) There are no doubts about the Bank's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations duly adopted by the State Bank of Pakistan vide BSD Circular No. 5 dated June 13, 2002.
- h) Summarized key operating and financial data of last eight years is annexed to the audited accounts.
- i) Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2009 is:

Staff Provident Fund	Rs.1,443.908 million
Staff Gratuity Fund	Rs. 702.563 million

j) The number of Board meetings held during 2009 were 4 and attended by directors as under:

#### No. of Meetings attended

1. H. H. Sheikh Hamdan Bin Mubarak Al Nahayan	4
2. Mr. Abdulla Nasser Hawaileel Al Mansoori	3
3. Mr. Abdulla Khalil Al Mutawa	4
4. Mr. Khalid Mana Saeed Al Otaiba	4
5. Mr. Ikram Ul-Majeed Sehgal	3
6. Mr.Nadeem Iqbal Sheikh	4
7. Mr.Sirajuddin Aziz	4

k) The pattern of shareholding is attached with this report.

## Risk Management

The Bank has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk and operational risk as evidenced by its Board approved "Risk Management Policy and Risk Management & Internal Control" manual. A dedicated Risk Management Division (RMD) has been created with the Head RMD reporting directly to the Chief Executive Officer. Risk Management Division has been structured to address Credit, Market, and Operational risk and a team of suitable personnel have been hired. The Board of Directors through its sub-committee called 'Board Risk Management Committee' (BRMC) oversees the overall risk of the Bank.

The Bank has established a Treasury Middle Office to effectively monitor day-to-day trading activities of the dealing room. An independent risk review function exists at our Bank through our internal audit group that reports directly to the Board Audit Committee.

At Bank Alfalah, risk awareness culture is being encouraged by communicating the principles of proper risk management to all Bank employees. A separate 'Research & Help Desk' has been created in this regard that helps in creating awareness about Risk Management, Basel II and the capital calculation approaches. Operational Risk Function and business / support units are involved and regularly collaborate in determining and reviewing the strategy, in order to use it as an action plan in improving the operational risk & control system at the organizational and business / support unit levels. Almost all the policies and procedures of the Bank are reviewed from the risk perspective, and the recommendations of RMD are taken into consideration before their approval at the appropriate level. All the business / support units are responsible for ensuring compliance with policies and procedures in their day-to-day activities and monitoring key operational risk exposures. An Operational Loss Database, Risk & Control Self Assessment (RCSA) exercise and Key Risk Indicators (KRIs) are being developed and implemented across the organization.

We are committed to embracing Risk Management and Basel II implementation at our bank not just as a regulatory compliance exercise but as means to adopt best international practices to enhance stakeholders' value.

## Corporate Social Responsibility

As a 'Caring Bank' it has been a primary concern of Bank Alfalah to ensure it is continuously contributing to community development initiatives and programmes across Pakistan. Our belief is that positive contributions made to causes focused on addressing human development challenges is a major responsibility. Bank Alfalah has been a major sponsor of upgrading and maintaining the civil infrastructure in major cities of Pakistan. Bank Alfalah has been donating generously to non-profit institutions working on improving healthcare and education in Pakistan. The Bank's major focus has been on supporting education and special education. Donations of Rs. 12.570 million have been made during the year to the education and health services organizations.

## Subsidiary Company

Bank Alfalah Limited has 76% shareholding in Alfalah Securities (Private) Limited.

## Future Plans

In 2010, we plan to open more branches all over Pakistan.

## Acknowledgement

The Board would like to thank our valued customers for their continued patronage and support, the State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continuous guidance and support with whom we enjoy a very cordial relationship. The Board would also like to place on record its appreciation for the hard work, dedication, professionalism and sincere efforts of the senior management, officers and staff of the Bank at all levels.

**SIRAJUDDIN AZIZ**

Director & Chief Executive Officer

March 15, 2010

Abu Dhabi

## EIGHT YEAR FINANCIAL SUMMARY

All Figures are in Rs. million

		2002	2003	2004	2005	2006	2007	2008	2009
<b>OPERATIONAL RESULTS</b>									
Total Income		5,246	7,425	7,140	14,515	24,416	31,822	35,789	40,743
Operating Expenses		1,184	1,803	2,679	4,344	5,918	8,289	9,957	11,002
Profit before Income Tax and Provision		948	3,593	2,026	2,966	3,264	6,906	3,831	4,711
Profit before Income Tax		895	3,506	1,654	2,563	2,566	4,536	1,795	1,016
Profit after Taxation		446	2,123	1,092	1,702	1,763	3,130	1,301	897
<b>BALANCE SHEET</b>									
Shareholders' Equity		1,616	3,753	4,369	6,738	10,573	13,767	14,609	19,770
Total Assets		65,167	98,952	154,835	248,314	275,686	328,895	348,991	389,070
Advances - net of provision		28,319	49,216	88,931	118,864	149,999	171,199	191,790	188,042
Investments - net of provision		24,470	28,904	35,503	57,416	56,502	88,492	75,973	99,160
Deposits and other accounts		51,685	76,698	129,715	222,345	239,509	273,174	300,733	324,760
<b>OTHERS</b>									
Imports		33,879	46,807	78,472	116,210	119,937	184,305	190,289	197,304
Exports		33,057	44,273	57,317	71,847	70,844	79,090	93,406	100,493
<b>RATIOS</b>									
Capital Adequacy	%	8.70	8.45	8.16	8.66	9.48	9.85	8.03	12.46
Profit before Tax ratio (PBT/Gross mark up income)	%	19.67	86.92	29.43	20.93	12.11	17.59	5.80	2.86
Gross spread ratio (Net mark up income/gross mark up income)	%	31.62	49.71	56.69	41.17	28.12	35.54	33.82	30.67
Income/Expense ratio	Times	4.43	4.12	2.67	3.34	4.13	3.84	3.59	3.70
Return on Average Equity (ROE)	%	29.95	79.08	26.89	30.65	20.37	25.72	9.17	5.22
Return on Average Assets (ROA)	%	0.85	2.59	0.86	0.84	0.67	1.04	0.38	0.24
Advances/Deposits Ratio	%	54.79	64.17	68.56	53.46	62.63	62.67	63.77	57.90
Cash Dividends	%	25	25	-	12	-	-	15%	-
Stock Dividend	%	33.33	100.00	25.00	-	33.33	30.00	23%	12.5%
Book value per share excluding revaluation of Assets	Rs.	16.16	18.77	17.48	22.46	21.15	21.18	18.27	14.65
Book value per share including revaluation of Assets	Rs.	36.53	23.79	21.05	24.88	24.48	24.95	21.32	16.41
Basic Earnings per share	Rs.	2.23	8.49	3.90	3.92	2.91	3.92	1.41	0.71
No. of Employees (other than outsourced)	No.	1,504	2,133	3,352	5,218	6,543	7,371	7,584	7,462

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2009

This statement is presented to comply with the Code of Corporate Governance contained in Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The bank applies the principles contained in the Code in the following manner:

- i) Except for the Chief Executive Officer, all the other directors are non-executive directors.
- ii) None of the directors of the bank are serving as a director in ten or more listed companies, including the bank.
- iii) All the resident Directors of the bank are registered as Tax payers and to the best of our knowledge, none of the Directors have defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non Banking Financial Institution (NBFI) or being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
- iv) None of the Directors or their spouses is engaged in the business of Stock Exchange.
- v) The Bank has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Bank.
- vi) The Board has already adopted its vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- vii) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer are approved by the Board.
- viii) The meetings of the Board were presided over by the Chairman. The Board of Directors have met four times in the year and written notices on the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated to all concerned.
- ix) The Directors have been provided with the copies of the listing regulations of the Stock Exchange, the Bank's Memorandum and Articles of Association and the Code of Corporate Governance. The Directors are well conversant with their duties and responsibilities.
- x) No casual vacancy occurred during the period under review.
- xi) There was no new appointment of CFO, Company Secretary, or Head of Internal Audit during the year ended December 31, 2009.
- xii) The Board has setup an effective internal audit function within the Bank.

- xiii) 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.
- xiv) The financial statements of the bank have been duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
- xv) The bank has complied with all the applicable corporate and financial reporting requirements of the Code.
- xvi) 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.
- xvii) The Board has formed an audit committee. It comprises three members; all of whom are non-executive directors of the bank.
- xviii) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- xix) The statutory auditors of the bank have confirmed that they have been given a satisfactory rating under the quality control review programme 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 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.
- xx) The statutory auditors or the persons associated with them have not been appointed during the period 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.
- xxi) The Board considers and approves the related party transactions on an annual basis after review of the Board Audit Committee.
- xxii) We confirm that all other material principles contained in the Code have been complied with.

The Statement of Compliance with best practices of corporate governance is being published and circulated along with the annual report of the bank.

For and on behalf of the Board

**Sirajuddin Aziz**  
**Director & Chief Executive Officer**  
**March 15, 2010**  
**Abu Dhabi**

## REVIEW REPORT TO THE MEMBERS

### ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Bank Alfalah Limited ('the Bank') to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the board's statement on internal control covers all controls and the effectiveness of such internal controls.

Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Bank to place before the board of directors for their 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 arms' 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 the above 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 procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2009.

**A. F. Ferguson & Co.**

Chartered Accountants

Karachi

Dated: March 16, 2010

## STATEMENT ON INTERNAL CONTROLS

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2009.

It is the responsibility of the bank's management to establish and maintain an adequate and effective system of Internal Control and every endeavor is made to implement sound control procedures and to maintain a suitable control environment. The Board of Directors have instituted an effective Internal Audit division which not only monitors compliance with the bank's policies, procedures and controls and reports significant deviations regularly to the Board Audit committee but also regularly reviews the adequacy of the Internal Control system. The observations and weaknesses pointed out by the external auditors are also addressed promptly and necessary steps are taken by the management to eliminate such weaknesses.

The bank is currently in the process of adopting an internationally accepted COSO Internal Control - Integrated Framework, as envisaged under the State Bank of Pakistan's (SBP) Internal Control Guidelines. The bank has devised a well-defined and comprehensive Internal Control Programme along the lines of staged roadmap, as suggested by SBP. In accordance with this Programme, the bank has completed a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design, and the work under these two stages is currently being reviewed by the bank's external auditors under the SBP Internal Control Guidelines. Going forward, the bank plans to develop detailed remediation plans to address the gaps identified and ensure implementation of planned initiatives to adequately remediate the gaps in a timely manner. In addition, comprehensive management testing plans and framework are also planned to be developed for ensuring on-going operating effectiveness of key controls.

The system of Internal Control is designed to manage rather than eliminate the risk failure to achieve the bank's business strategies and policies. It can therefore only provide reasonable and not absolute assurance against material misstatement and loss. The management believes that the bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored. In addition, further Internal Control improvements are expected from the bank's adoption of COSO framework, as described above.

For and on behalf of the Board.

**Sirajuddin Aziz**  
Director & Chief Executive Officer  
March 15, 2010  
Abu Dhabi



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bank Alfalah Limited as at December 31, 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 (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for thirty eight branches which have been audited by us and seven branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the 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 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 3.2 to the financial statements, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2009, and its true balance of profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**A. F. Ferguson & Co.**  
Chartered Accountants  
Engagement Partner: Salman Hussain  
Dated: March 16, 2010  
Karachi



# BALANCE SHEET

AS AT DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	35,056,012	32,687,335
Balances with other banks	7	22,722,639	21,581,043
Lendings to financial institutions	8	14,947,435	3,315,500
Investments	9	99,159,957	75,973,238
Advances	10	188,042,438	191,790,988
Fixed assets	11	14,492,194	13,773,293
Deferred tax assets		-	-
Other assets	12	14,649,380	9,869,367
		<b>389,070,055</b>	<b>348,990,764</b>
<b>LIABILITIES</b>			
Bills payable	13	3,766,144	3,452,031
Borrowings	14	20,653,921	13,690,222
Deposits and other accounts	15	324,759,752	300,732,858
Sub-ordinated loans	16	7,570,181	2,571,169
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	179,851	208,465
Other liabilities	18	10,006,786	11,291,280
		<b>366,936,635</b>	<b>331,946,025</b>
<b>NET ASSETS</b>		<b>22,133,420</b>	<b>17,044,739</b>
<b>REPRESENTED BY</b>			
Share capital	19	13,491,563	7,995,000
Reserves		3,587,969	3,166,056
Unappropriated profit		2,690,728	3,447,467
		<b>19,770,260</b>	<b>14,608,523</b>
Surplus on revaluation of assets - net of tax	20	2,363,160	2,436,216
		<b>22,133,420</b>	<b>17,044,739</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes 1 to 44 and Annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Chairman

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Mark-up / return / interest earned	23	35,561,312	30,966,638
Mark-up / return / interest expensed	24	24,654,180	20,494,355
Net mark-up / interest income		10,907,132	10,472,283
Provision against loans and advances	10.5	3,694,546	2,035,997
Provision for diminution in value of investments	9.21	317,164	1,479,062
Bad debts written off directly	10.6	59,817	28,298
		4,071,527	3,543,357
Net mark-up / interest income after provisions		6,835,605	6,928,926
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,913,004	2,116,818
Dividend income		248,217	300,943
Income from dealing in foreign currencies		1,019,732	914,845
Gain on sale of securities	25	688,924	424,261
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.23	2,849	(181,571)
Other income	26	1,309,527	1,247,628
Total non-mark-up / interest income		5,182,253	4,822,924
		12,017,858	11,751,850
<b>Non mark-up / interest expenses</b>			
Administrative expenses	27	10,923,507	9,805,790
(Reversal) / provision against off-balance sheet obligations	18.2	(1,419)	28,582
Other charges	28	79,454	122,758
Total non-mark-up / interest expenses		11,001,542	9,957,130
		1,016,316	1,794,720
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		1,016,316	1,794,720
Taxation	29		
- Current		1,066,301	1,730,051
- Deferred		(767,346)	(1,151,019)
- Prior years		(179,674)	(85,613)
		119,281	493,419
<b>Profit after taxation</b>		897,035	1,301,301
Unappropriated profit brought forward		3,447,467	4,851,840
Transferred from surplus on revaluation of fixed assets - net of tax		24,696	24,586
Profit available for appropriation		4,369,198	6,177,727
			(Rupees)
<b>Basic / Diluted earnings per share</b>	30	0.71	1.41

The annexed notes 1 to 44 and Annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Chairman

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
	(Rupees in '000)	
Profit after taxation	897,035	1,301,301
Other comprehensive income*: Exchange differences on translation of net investment in foreign branches	242,506	490,963
Total comprehensive income for the year	<u>1,139,541</u>	<u>1,792,264</u>

\* Surplus / deficit arising on revaluation of fixed assets and 'available for sale' securities is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan. Accordingly, it has not been reflected in the Statement of Comprehensive Income.

The annexed notes 1 to 44 and Annexures I and II form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009

Note

2009

2008

(Rupees in '000)

## CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation

1,016,316

1,794,720

Less: Dividend income

(248,217)

(300,943)

768,099

1,493,777

### Adjustments:

Depreciation

1,467,784

1,205,825

Amortisation

64,999

105,751

Provision against loans and advances

3,694,546

2,035,997

Provision for diminution in value of investments

317,164

1,479,062

(Reversal) / provision against off-balance sheet obligations

(1,419)

28,582

Unrealized (gain) / loss on revaluation of investments

classified as held for trading

(2,849)

181,571

Bad debts written-off directly

59,817

28,298

Gain on sale of fixed assets

(43,521)

(77,997)

Provision for gratuity

189,352

142,926

5,745,873

5,130,015

6,513,972

6,623,792

### (Increase) / decrease in operating assets

Lendings to financial institutions

(11,237,039)

2,454,477

Held-for-trading securities

(242,172)

519,202

Advances

(5,813)

(22,656,291)

Other assets

(4,785,364)

(3,853,565)

(16,270,388)

(23,536,177)

### Increase / (decrease) in operating liabilities

Bills payable

314,113

(686,212)

Borrowings

6,963,699

(7,540,475)

Deposits and other accounts

24,026,894

27,559,017

Other liabilities

144,034

1,433,984

31,448,740

20,766,314

21,692,324

3,853,929

Gratuity paid

(189,352)

(142,926)

Income tax paid

(1,557,045)

(1,211,397)

Net cash flow from operating activities

19,945,927

2,499,606

## CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities

(16,255,052)

12,582,621

Net investments in held-to-maturity securities

(7,487,002)

(705,793)

Investment in associated companies

-

(1,687,218)

Dividend income received

253,568

298,238

Investments in fixed assets

(1,903,456)

(3,308,515)

Proceeds from sale of fixed assets

112,166

223,967

Net cash (used in) / generated from investing activities

(25,279,776)

7,403,300

## CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of sub-ordinated loans

5,000,000

-

Redemption of sub-ordinated loans

(988)

(649,689)

Issuance of right shares

3,997,500

-

Dividend paid

-

(975,000)

Net cash generated from / (used in) financing activities

8,996,512

(1,624,689)

Exchange difference on translation of the net investments in foreign branches

242,506

490,963

### Increase in cash and cash equivalents

3,905,169

8,769,180

Cash and cash equivalents at beginning of the year

57,583,878

48,814,698

Cash and cash equivalents at end of the year

61,489,047

57,583,878

31

The annexed notes 1 to 44 and Annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Chairman

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

	Share Capital	Share Premium	Statutory Reserve (a)	Reserve for issue of Bonus Shares	Exchange Translation Reserve	Unappropriated Profit (b)	Total
------(Rupees in ' 000)-----							
Balance at January 1, 2008	6,500,000	-	2,327,775	-	87,058	4,851,840	13,766,673
<b>Changes in equity for 2008</b>							
Comprehensive income for the year ended December 31, 2008	-	-	-	-	490,963	1,301,301	1,792,264
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,586	24,586
Transfer to statutory reserve	-	-	260,260	-	-	(260,260)	-
Final cash dividend for the year ended December 31, 2007 declared subsequent to the year end at Rs.1.5 per share	-	-	-	-	-	(975,000)	(975,000)
Transfer to reserve for issue of bonus shares	-	-	-	1,495,000	-	(1,495,000)	-
Issue of bonus shares	1,495,000	-	-	(1,495,000)	-	-	-
<b>Balance at December 31, 2008</b>	<b>7,995,000</b>	<b>-</b>	<b>2,588,035</b>	<b>-</b>	<b>578,021</b>	<b>3,447,467</b>	<b>14,608,523</b>
<b>Changes in equity for 2009</b>							
Comprehensive income for the year ended December 31, 2009	-	-	-	-	242,506	897,035	1,139,541
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,696	24,696
Transfer to statutory reserve	-	-	179,407	-	-	(179,407)	-
Issue of right shares	3,997,500	-	-	-	-	-	3,997,500
Transfer to reserve for issue of bonus shares	-	-	-	1,499,063	-	(1,499,063)	-
Issue of bonus shares for the year ended December 31, 2008 @ 12.5%	1,499,063	-	-	(1,499,063)	-	-	-
<b>Balance at December 31, 2009</b>	<b>13,491,563</b>	<b>-</b>	<b>2,767,442</b>	<b>-</b>	<b>820,527</b>	<b>2,690,728</b>	<b>19,770,260</b>

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

(b) As more fully explained in note 10.5.1 of these financial statements balance of Rs. 1,562.488 million (2008: Rs. 404.459 million) as at December 31, 2009 representing additional profit arising from availing FSV benefit for determining provisioning requirement is not available to the bank for the purposes of distribution of dividend to shareholders.

The annexed notes 1 to 44 and Annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Chairman

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

## 1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 01, 1992. The Bank's registered office is at B.A. Building, I. I. Chundrigar Road, Karachi and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 253 conventional banking branches including 4 sub branches (2008: 226 branches), 7 overseas branches (2008: 7 branches), 60 Islamic banking branches (2008: 48 branches) and 1 offshore banking unit (2008: 1 unit).

## 2 BASIS OF PRESENTATION

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

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purpose, after eliminating material inter branch transaction / balances, Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.

## 3 STATEMENT OF COMPLIANCE

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

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

In addition, Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. The standard has not been adopted by stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with SBP and SECP.

### 3.2 Changes in accounting policies and disclosures - standards, interpretations and amendments to published approved accounting standards that are effective in the current year

a) Islamic Financial Accounting Standard -2 (IFAS 2): "Ijarah" (effective from January 1, 2009). In accordance with IFAS 2, ijarah transactions entered into by the Bank during the current period are required to be accounted for as follows:

- Mujir (lessors) shall present the assets subject to ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on ijarah incurred in earning the ijarah income shall be recognised as an expense.

- Ijarah income shall be recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Pursuant to IBD Circular No. 1 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has accounted for all ijarah disbursements made in 2009 in line with the requirements set out in IFAS 2. Previously, such disbursements were reflected in the financial statements as a finance lease in accordance with IAS 17, "Leases". As the requirements of IFAS 2 have only been applied to ijarah contracts entered into on or after January 1, 2009, the adoption of this standard did not require any restatement.

- b) IAS 1 (Revised), 'Presentation of financial statements', was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Bank has applied IAS 1(revised) during the current period, and has accordingly changed its accounting policy to comply with the new requirements of IAS. The bank has elected to show elements of comprehensive income in a separate statement. The change in presentation has not affected the net assets of the Bank for either the current or any of the prior periods and there is no impact on the earnings per share. Comparative information has been re-presented so that it is also in conformity with the revised standard.

- c) IAS 23 (Amendment) 'Borrowing Costs' (effective from January 1, 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and Measurement'.

During the year the Bank has changed its accounting policy in respect of borrowing costs to comply with the requirements of IAS 23 (Amendment), "Borrowing Costs". Previously, borrowing costs were recognised as an expense in the period in which they were incurred. IAS 23 (Amendment) applies to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009 and does not affect qualifying assets for which the commencement date for capitalisation is earlier than the transition date. The Bank did not have any qualifying assets whose commencement date for capitalisation was on or after January 1, 2009. Accordingly, the change in accounting policy has had no effect on the financial statements of the Bank for the current or prior years.

- d) IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).
- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent.



The bank has adopted the aforementioned amendments from January 1, 2009. The management of the bank believes that this amendment does not have any impact on the bank's financial statements.

- e) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The bank has adopted the aforementioned amendments from January 1, 2009. The management of the bank believes that presently this amendment does not have any impact on the bank's financial statements.
- f) IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The bank has adopted the aforementioned amendments from January 1, 2009. The management of the bank believes that this amendment does not have any impact on the bank's financial statements.
- g) IFRIC 13, "Customer Loyalty Programmes" (effective from financial years beginning on or after July 1, 2008). As per IFRIC 13 where goods or services are sold together with a customer loyalty incentive, the arrangement is a multi-element arrangement and the consideration receivable is allocated between the components of the arrangement using fair values. If a third party supplies the awards and the entity is collecting the consideration on its own account, it shall measure its revenue as the gross consideration allocated to the award credits and recognise the revenue when it fulfils its obligations in respect of the awards.

The Bank has adopted IFRIC 13 from January 1, 2009. The management of the Bank believes that the adoption of this interpretation has not made any material impact on the financial statements.

- h) There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the bank's operations and are therefore not detailed in these financial statements.

3.3 IFRS 8 'Operating segments', (effective from January 1, 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by SBP.

#### 3.4 Standards, interpretations and amendments to published approved accounting standard that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2010:

IFRIC 17 'Distribution of Non-cash Assets to Owners' was issued in November 2008 and is applicable for financial years beginning on or after July 1, 2009. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. At present, the management believes that the afore-mentioned interpretation is not expected to have any impact on the Bank's financial statements.

IFRIC 18 'Transfers of assets from customers' was issued in January 2009 and is applicable for financial years beginning on or after July 1, 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. At present, the management believes that the afore-mentioned interpretation is not expected to have any impact on the Bank's financial statements.



Revised IFRS 3, "Business Combinations" applicable for financial years beginning on or after July 1, 2009 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Bank will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010.

IAS 27, "Consolidated and Separate Financial Statements" applicable for financial years beginning on or after July 1, 2009 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Bank will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 or later periods but are considered not to be relevant or to have any significant effect on the Bank's operations and are therefore not disclosed in these financial statements.

### 3.5 Early adoption of standards

The Bank did not early adopt new or amended standards in 2009.

## 4 BASIS OF MEASUREMENT

### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, and held for trading and available for sale investments and derivative financial instruments are measured at fair value.

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

### 4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4 and 10)
- iii) income taxes (notes 5.9 and 29)
- iv) accounting for defined benefit plan (notes 5.10 and 34)

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 5.1 Cash and cash equivalents

Cash and cash equivalents comprises cash and balances with treasury bank, balances with other banks and call lendings for the purpose of the cash flow statement.

## 5.2 Sale and repurchase agreements

The Bank enters into arrangements for purchase / (sale) of investments under agreements to resell / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resell them at a future date (reverse repo) are not recognized, as the Bank does not obtain control over the assets. The amounts paid are recognized as lendings to financial institutions.

Investments sold under repurchase agreements (repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds received are reported in borrowings.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

## 5.3 Investments

The Bank classifies its investments as follows:

### Held for trading

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

### Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

### Available for sale

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

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

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

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are 'held for trading' is taken to the profit and loss account. In accordance with the requirements specified by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortized cost.

Unquoted equity securities, excluding investments in subsidiaries and associates are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

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

Gains or losses on disposals of investments during the year are taken to the profit and loss account.

## 5.4 Advances

### Loans and advances

Loans and advances including net investment in finance lease are stated net of provisions against non-performing advances. Specific and general provisions against Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

### Ijarah

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

### Murabaha

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer a shariah compliant asset / goods for cost plus a pre-agreed profit. In principle on the basis of an undertaking (promise to purchase) from the client, the Bank purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof. However, the Bank can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Murabaha transactions are accounted for at gross receivable net of specific and general provisions. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time.

## 5.5 Fixed assets

### Tangible Assets

Fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Office premises (which includes land and buildings) is stated at revalued amount less accumulated depreciation.

Depreciation is charged to income applying the straight-line method using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed of.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Office premises are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gain and losses on disposal of fixed assets are taken to the profit and loss account except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

### Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

## 5.6 Capital work in progress

Capital work in progress is stated at cost less impairment losses, if any.

## 5.7 Non-Current Assets Held for Sale

The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

## 5.8 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## 5.9 Taxation

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

### Current

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

### Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 5.10 Employee benefits

### Defined Benefit Plan

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with the Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains / losses in excess of 10 percent of the higher of actuarial liabilities or plan assets at the end of the last reporting year are recognized over the average lives of employees.

Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

### Defined Contribution Plan

The Bank operates a recognised provident fund scheme for all its permanent employees to which equal monthly contributions are made both by the Bank and employees at the rate of 8.33 percent of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

### 5.11 Borrowings / deposits and their cost

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

### 5.12 Provisions

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to profit and loss account is stated net-of expected recoveries.

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

### 5.13 Acceptances

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

### 5.14 Revenue recognition

#### Advances and investments

Mark-up income on loans and advances, debt securities investments and profit on murabaha and musharika financing are recognised on a time proportion basis. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Dividend income is recognized at the time when the Bank's right to receive the dividend has been established.

#### Lease financing / Ijarah

Financing method is used in accounting for income from lease financing. Under this method, the unrealised 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 period so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income when they are realised.

Unrealised lease income and mark-up / return on non-performing advances are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

Profit on Murabaha is recognized on time apportioned basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the later date.

#### Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis.

**5.15 Foreign currency translation****Functional and Presentation currency**

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

**Transactions and Balances**

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on such contracts is amortized over the term of the contracts.

**Commitments**

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

**Foreign Operations**

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the balance sheet date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

**5.16 Derivative Financial Instruments**

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

**5.17 Off-setting**

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

**5.18 Dividend and appropriation to reserves**

Dividend and appropriation to reserves, except appropriations which are required under the law, after the balance sheet date, are recognised as a liability in the Bank's financial statements in the year in which these are approved.

**5.19 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 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.



**5.20 Segment Reporting**

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

**Business segments**

**Trading and sales**

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

**Retail Banking**

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

**Commercial banking**

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

**Corporate finance**

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

**Geographical segments**

The Bank operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2009 (Rupees in '000)	2008
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency (including in transit Rs. 111.395 million, 2008: Rs. 114.565 million)		5,129,046	6,335,731
Foreign currency (including in transit Rs. 3.387 million, 2008: Rs. 186.546 million)		1,776,454	2,999,128
<b>With State Bank of Pakistan in</b>			
Local currency current account	6.1	13,144,926	11,392,141
Foreign currency current account	6.2	1,993,089	1,399,973
Foreign currency deposit account	6.3	4,867,497	3,605,236
<b>With other central banks in</b>			
Foreign currency current account		3,637,025	2,108,534
Foreign currency deposit account	6.4	2,503,364	2,240,700
<b>With National Bank of Pakistan in</b>			
Local currency current account		1,984,180	2,590,762
<b>National Prize Bonds</b>		20,431	15,130
		<u>35,056,012</u>	<u>32,687,335</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- 6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.
- 6.2 As per BSD Circular No. 9 dated 03 December, 2007, cash reserve of 5% is required to be maintained with State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 6.3 Special cash reserve of 15% is required to be maintained with State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated 21 June, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. During the year this deposit was not remunerated (2008: 0.90% to 3.4% per annum).
- 6.4 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2009 (Rupees in '000)	2008
<b>7 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current account		768,061	604,204
On deposit account	7.1	3,480,067	3,854,287
Outside Pakistan			
On current account	7.2	6,133,950	8,161,367
On deposit account	7.3	12,340,561	8,961,185
		<u>22,722,639</u>	<u>21,581,043</u>

- 7.1 This represents funds deposited with various banks at profit rates ranging from 5.00% to 13.25% per annum (2008: 10.00% to 19.00% per annum).
- 7.2 This includes amount held in Automated Investment Plans. The balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.
- 7.3 This includes placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.12% to 1.62% per annum (2008: 0.45% to 7.00% per annum) with maturities upto July 2010 (2008: July 2009).

## 8 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	3,710,396	3,315,500
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	11,237,039	-
		<u>14,947,435</u>	<u>3,315,500</u>

- 8.1 These represent short term lendings to financial institutions at interest rates upto 13.40% per annum (2008: 14.50% per annum) with maturities upto February 2010 (2008: April 2009).

### 8.2 Particulars of lendings to financial institutions

In local currency		12,293,039	375,000
In foreign currencies		2,654,396	2,940,500
		<u>14,947,435</u>	<u>3,315,500</u>

- 8.3 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 11.75% to 13.20% per annum (2008: Nil) and have a maturity period of upto February 2010 (2008: Nil).



8.4 Securities held as collateral against lendings to financial institutions

Note	2009			2008		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	-----Rupees in '000-----					
Market Treasury Bills	10,151,518	-	10,151,518	-	-	-
Pakistan Investment Bonds	1,085,521	-	1,085,521	-	-	-
	<u>11,237,039</u>	<u>-</u>	<u>11,237,039</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 INVESTMENTS

9.1 Investments by types:

	2009			2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	-----Rupees in '000-----					
<b>Held-for-trading securities</b>						
Fully paid up ordinary shares / units - Listed	253,440	-	253,440	10,200	-	10,200
<b>Available-for-sale securities</b>						
Market Treasury Bills	25,499,281	9,511,711	35,010,992	25,350,662	4,848,492	30,199,154
Pakistan Investment Bonds	5,675,361	-	5,675,361	458,280	59,501	517,781
Fully paid up ordinary shares / units - Listed	2,714,027	-	2,714,027	4,274,461	-	4,274,461
Fully paid up ordinary shares / units - Unlisted	129,821	-	129,821	129,821	-	129,821
Term Finance Certificates	1,788,368	-	1,788,368	1,388,391	-	1,388,391
Sukuk Bonds	8,074,900	-	8,074,900	2,099,877	-	2,099,877
	<u>43,881,758</u>	<u>9,511,711</u>	<u>53,393,469</u>	<u>33,701,492</u>	<u>4,907,993</u>	<u>38,609,485</u>
<b>Held-to-maturity securities</b>						
Government Bonds	-	-	-	85,341	-	85,341
Market Treasury Bills	11,240,946	-	11,240,946	13,991,810	-	13,991,810
Pakistan Investment Bonds	4,084,310	-	4,084,310	5,220,710	-	5,220,710
Term Finance Certificates	18,069,620	-	18,069,620	9,102,204	-	9,102,204
Overseas Government Treasury Bills	438,074	-	438,074	-	-	-
Pakistan Dollar Bond	384,633	-	384,633	357,199	-	357,199
Credit Linked Note	421,208	-	421,208	395,492	-	395,492
Overseas Bonds	1,626,726	-	1,626,726	57,339	-	57,339
Preference Shares	277,431	-	277,431	303,894	-	303,894
Sukuk Bonds	4,020,093	-	4,020,093	3,562,050	-	3,562,050
	<u>40,563,041</u>	<u>-</u>	<u>40,563,041</u>	<u>33,076,039</u>	<u>-</u>	<u>33,076,039</u>
<b>Associates</b>						
Warid Telecom (Private) Limited	4,366,796	-	4,366,796	4,366,796	-	4,366,796
Wateen Telecom Limited	417,474	-	417,474	417,474	-	417,474
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Alfalah GHP Value Fund	100,000	-	100,000	100,000	-	100,000
Alfalah GHP Income Multiplier Fund	550,000	-	550,000	550,000	-	550,000
Alfalah GHP Islamic Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
	<u>5,883,753</u>	<u>-</u>	<u>5,883,753</u>	<u>5,883,753</u>	<u>-</u>	<u>5,883,753</u>
<b>Subsidiaries</b>						
Alfalah Securities (Private) Limited	76,000	-	76,000	76,000	-	76,000
<b>Investments at cost</b>	<u>90,657,992</u>	<u>9,511,711</u>	<u>100,169,703</u>	<u>72,747,484</u>	<u>4,907,993</u>	<u>77,655,477</u>
<b>Less: Provision for diminution in value of investments</b>	9.21	(325,158)	(325,158)	(1,479,062)	-	(1,479,062)
<b>Investments (net of provisions)</b>	<u>90,332,834</u>	<u>9,511,711</u>	<u>99,844,545</u>	<u>71,268,422</u>	<u>4,907,993</u>	<u>76,176,415</u>
Surplus on revaluation of held-for-trading securities - net	9.23	2,849	2,849	1,068	-	1,068
Surplus / (Deficit) on revaluation of available-for-sale investments - net	20.2	367,766	(13,392)	354,374	(153,600)	(50,645)
Deficit on investment in associate	20.3	(1,041,811)	(1,041,811)	-	-	-
<b>Total investments</b>	<u>89,661,638</u>	<u>9,498,319</u>	<u>99,159,957</u>	<u>71,115,890</u>	<u>4,857,348</u>	<u>75,973,238</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Note	2009	2008
(Rupees in '000)			
<b>9.2 Investments by segments:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	9.4	46,251,938	44,190,964
- Pakistan Investment Bonds	9.5	9,759,671	5,738,491
- Government Bonds		-	85,341
- Overseas Government Treasury Bills	9.6	438,074	-
- Overseas Government Bonds	9.7	1,601,020	-
- Sukuk Bonds	9.8	10,241,158	4,245,730
- Pakistan Dollar Bond	9.9	384,633	357,199
		<b>68,676,494</b>	<b>54,617,725</b>
<b>Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates:</b>			
- Listed companies / mutual funds	9.10	2,967,467	4,284,661
- Un-listed companies	9.11	129,821	129,821
- Preference Shares	9.12	277,431	303,894
		<b>3,374,719</b>	<b>4,718,376</b>
<b>Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates:</b>			
- Listed TFCs	9.13	1,458,428	1,070,931
- Un-listed TFCs	9.14	18,399,560	9,419,664
- Sukuk Bonds	9.15	1,853,835	1,416,197
- Overseas Bonds	9.16	25,706	57,339
- Credit Linked Note	9.17	421,208	395,492
		<b>22,158,737</b>	<b>12,359,623</b>
<b>Investment in subsidiary company</b>	9.18	<b>76,000</b>	<b>76,000</b>
<b>Investment in associates</b>	9.19	<b>5,883,753</b>	<b>5,883,753</b>
<b>Total investments at cost</b>		<b>100,169,703</b>	<b>77,655,477</b>
Provision for diminution in value of investments	9.21	(325,158)	(1,479,062)
Surplus / (Deficit) on revaluation of held-for-trading securities - net	9.23	2,849	1,068
Surplus / (Deficit) on revaluation of available-for-sale securities - net	20.2	354,374	(204,245)
Deficit on investment in associate	20.3	(1,041,811)	-
<b>Total investments</b>		<b>99,159,957</b>	<b>75,973,238</b>

9.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.4 Market Treasury Bills are for the periods of six months and one year. The effective rates of profit on Market Treasury Bills range between 11.50% to 13.25% per annum (2008: 10.01% to 14.01% per annum) with maturities upto December 2010 (2008: October 2009).

9.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten and fifteen years. The rates of profit range from 8.00% to 14.00% per annum (2008: 7.00% to 14.00% per annum) with maturities from December 2010 to September 2019 (2008: April 2009 to June 2019). These also include PIBs having face value of Rs. 35 million (2008: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.

9.6 This represents Overseas Government Treasury Bills amounting to BDT 359.230 million issued by the Government of Bangladesh. These carry interest at rates ranging from 2.00% to 8.60% per annum (2008 : Nil) and are due for maturity in March 2010.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- 9.7 These represent Overseas Government Bonds issued by the Government of Afghanistan and the Government of Bangladesh amounting to AFA 876.903 million (2008: Nil) and BDT 66.700 million (2008: Nil) respectively. The rates of profit on Government of Afghanistan bond ranges from 7.20% to 7.58% per annum (2008: Nil) while Government of Bangladesh bond carries profit at 10.60% per annum (2008: Nil). The bonds have maturities upto March 2014.
- 9.8 This represents sukuk bonds of Rs. 1,738.133 million issued by Water and Power Development Authority (WAPDA) for a period of ten years and ijarah sukuk of Rs. 8,503.025 million issued by the State Bank of Pakistan for a period of three years. The rates of profit on these bonds ranges between 11.67% to 12.97% per annum (2008: 9.79% to 14.50% per annum) and between 11.67% to 12.92% per annum (2008: 12.99% to 14.76%) respectively.
- 9.9 This represents Pakistan Dollar Bonds of US Dollar 5.000 million issued by the Government of Pakistan. These bonds carry interest at 7.125% (2008: 7.125%) per annum and are due for maturity in March 2016 (2008: March 2016).

### 9.10 Particulars of investments in listed companies / mutual funds include the following:

2009	2008		2009	2008
(Number of shares / certificates / units)			(Rupees in '000)	
		<b>MUTUAL FUNDS</b>		
971,870	971,870	AKD Income Fund	41,850	50,000
-	1,230,471	AKD Opportunity Fund	-	80,000
327,549	327,549	AMZ Plus Income Fund	35,000	35,000
-	152,973	Askari Asset Allocation Fund	-	15,000
729,161	729,161	Askari Income Fund	75,000	75,000
97,653	97,653	Atlas Income Fund	50,435	50,435
258,652	258,652	Dawood Money Market Fund	18,754	25,000
685,537	685,537	First Habib Income Fund	70,000	70,000
488,180	488,180	IGI Income Fund	49,958	49,958
502,821	502,821	JS Aggressive Income Fund	50,695	50,695
967,525	967,525	JS Income Fund (formerly UTP - Income Fund)	100,079	100,079
487,435	487,435	KASB Liquid Fund	50,000	50,000
-	108,892	KASB Stock Market Fund	-	5,000
1,397,156	1,397,156	MCB Dynamic Cash Fund	145,167	145,167
2,500,000	2,500,000	Meezan Balanced Fund	9,500	25,000
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
41,931,941	41,931,941	NAFA Cash Fund	450,000	450,000
1,523,635	1,523,635	NAFA Stock Fund	10,952	20,000
15,000,000	15,000,000	Pak Oman Advantage Fund	150,000	150,000
-	1,009,627	Pak Oman Bank of Punjab Advantage Plus Fund	-	51,771
600,000	600,000	Pak Oman Islamic Fund	30,000	30,000
1,043,260	1,043,260	Pakistan Capital Market Fund	9,882	9,882
1,949,240	1,949,240	Pakistan Income Fund	100,000	100,000
-	3,033,125	Pakistan Premier Fund Limited	-	36,555
400,000	400,000	Pakistan Strategic Allocation Fund	912	4,000
-	520,000	PICIC Growth Fund	-	18,633
1,893,952	1,893,952	Reliance Income Fund	100,000	100,000
504,951	504,951	United Islamic Income Fund	50,000	50,000
1,960,033	1,952,647	United Money Market Fund	200,239	200,239
-	49,441	United Stock Advantage Fund	-	5,000
-	545,136	UTP - Capital Protected Fund II	-	50,000
-	181,325	UTP A30+Fund	-	10,000
		<b>INSURANCE</b>		
75,000	-	Adamjee Insurance Company Limited	9,317	-

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2009	2008		2009	2008
(Number of shares / certificates / units)			(Rupees in '000)	
		<b>INVESTMENT COMPANIES &amp; BANKS</b>		
75,000	-	Allied Bank Limited	4,545	-
358,972	358,972	Arif Habib Investment Limited	9,297	44,871
263,067	221,875	Arif Habib Securities Limited	12,559	16,394
1,310,000	2,993,000	Askari Bank Limited	15,269	193,406
-	750,000	Bank Al Habib Limited	-	46,281
175,000	175,000	J.S Bank Limited	1,005	1,750
225,000	-	Jahangir Siddiqui & Company Limited	6,802	-
2,667,640	2,667,640	KASB Securities Limited	93,794	180,066
-	165,000	MCB Bank Limited	-	38,899
1,242,591	1,305,000	National Bank of Pakistan	98,982	257,147
1,953,000	1,953,000	NIB Bank Limited	9,121	41,683
3,403,000	-	Samba Bank Limited	10,924	-
100,000	100,000	The Bank of Punjab	1,320	2,478
50,000	145,000	United Bank Limited	3,051	9,896
		<b>CEMENT</b>		
7,640,000	-	Al-Abbas Cement Company Limited	50,118	-
-	215,000	D.G.Khan Cement Limited	-	8,445
5,378,252	350,000	Fauji Cement Company Limited	34,592	2,045
121,770	167,200	Fecto Cement Limited	1,793	9,701
562,375	255,000	Lucky Cement Limited	34,175	14,731
		<b>FUEL, ENERGY, OIL &amp; GAS</b>		
2,151,544	2,203,500	Kohinoor Energy Limited	41,417	70,990
500,000	-	Kot Addu Power Company Limited	22,525	-
1,000,000	2,201,200	Oil and Gas Development Company Limited	106,260	248,991
424,000	530,760	Pakistan Oilfields Limited	81,448	136,784
268,594	726,000	Pakistan Petroleum Limited	47,632	162,869
100,000	85,000	Pakistan State Oil Company Limited	28,757	22,727
9,923,500	9,383,500	Southern Electric Power Company Limited	29,170	64,725
3,000,000	3,150,000	The Hub Power Company Limited	94,210	89,398
		<b>AUTOMOBILE ASSEMBLERS</b>		
-	54,863	Indus Motor Company Limited	-	15,392
		<b>TEXTILE</b>		
170,000	-	Azgard Nine Limited	3,553	-
1,318,710	1,318,710	Hira Textile Mills Limited	2,980	16,484
100,000	150,000	Nishat Mills Limited	6,842	7,006
		<b>TECHNOLOGY &amp; COMMUNICATION</b>		
2,480,000	250,000	Pakistan Telecommunication Company Limited	49,012	3,375
804,000	804,000	Telecard Limited	1,600	2,975
1,601,337	1,601,337	Worldcall Telecom Limited	4,756	12,490
		<b>CHEMICALS &amp; FERTILIZERS</b>		
17,810	20,000	Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	3,232	3,609
605,000	5,030,000	Fauji Fertilizer Bin Qasim Limited	15,134	185,298
1,297,200	500,000	Fauji Fertilizer Company Limited	135,177	62,685
25,000	25,000	ICI Pakistan Limited	4,092	3,175
207,000	-	Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	1,586	-
		<b>STEEL &amp; ALLIED</b>		
1,118,263	1,100,000	Crescent Steel & Allied Products Limited	29,087	80,954
		<b>MISCELLANEOUS</b>		
2,225,000	2,147,000	Pace Pakistan Limited	12,830	62,997
10,000	10,000	Tri- Pack Limited	1,080	1,530
			<b>2,967,467</b>	<b>4,284,661</b>

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			2009	2008
			(Rupees in '000)	
<b>9.11 Investments in unlisted companies</b>				
2009	2008			
(Number of shares)				
572,531	572,531	<b>Pakistan Export Finance Guarantee Agency Limited</b> Chief Executive: Mr. S.M. Zaeem Break-up value per share: Rs. 2.06 Period of financial statements: December 31, 2008	5,725	5,725
16	16	<b>Society for Worldwide Interbank Financial Telecommunication</b> Chief Executive: Mr. Lazaro Campos Break-up value per share: Rs. 286,025.71 Period of financial statements: December 31, 2008	4,096	4,096
7,000,000	7,000,000	<b>Al-Hamra Hills (Private) Limited</b> Chief Executive: Mr. Habib Rafiq Break-up value per share: Rs. 9.47 Period of financial statements: June 30, 2009 (Un-audited)	70,000	70,000
5,000,000	5,000,000	<b>Al-Hamra Avenue (Private) Limited</b> Chief Executive: Mr. Habib Rafiq Break-up value per share: Rs. 9.54 Period of financial statements: June 30, 2009 (Un-audited)	50,000	50,000
			<u>129,821</u>	<u>129,821</u>

**9.12 Investments in preference shares**

		2009	2008
		(Rupees in '000)	
Investee company	Redemption terms		
STS Holdings Limited	Semi annual redemptions over 5 years ending in 2011	60,973	57,340
BRAC Bank	Annual redemptions over 5 years ending in 2012	121,948	114,680
United Hospitals Limited	Annual redemptions over 5 years ending in 2011	94,510	131,874
		<u>277,431</u>	<u>303,894</u>

**9.13 Particulars of Term Finance Certificates - Quoted, Secured**

<b>Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)</b>	<b>99,840</b>	<b>99,880</b>
20,000 (2008: 20,000) units of Rs. 5,000 each		
Mark up:	Average Six Months KIBOR (Ask Side) + 150 basis points per annum (no floor no cap)	
Redemption:	The TFC is structured to redeem 0.02 percent of principal semi-annually in the first ninety months and remaining principal at maturity.	
Maturity:	Eight years from date of disbursement i.e. October 31, 2013	
Rating:	AA- (PACRA)	
Chief Executive:	Mr. Mohammad Rafiquddin Mehkari	

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	2009	2008
	(Rupees in '000)	
<b>Standard Chartered Bank (Pakistan) Limited - (3rd Issue)</b>	<b>49,930</b>	<b>49,950</b>
10,000 (2008: 10,000) units of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 200 basis points prevailing one working day prior to the beginning of each semi-annual period.		
Redemption: A nominal amount i.e. 0.16 percent of the issue amount will be re-paid equally in each of the redemption periods during the first four years.		
Maturity: Seven years from the date of issue i.e. February 1, 2013		
Rating: AAA (PACRA)		
Chief Executive: Mr. Badar Kazmi		
<b>Bank Al Habib Limited</b>	<b>46,657</b>	<b>46,675</b>
9,350 (2008: 9,350) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.50 percent per annum with a floor of 3.50 percent and a cap of 10.00 percent per annum		
Redemption: The TFC is structured to redeem 0.25 percent of principal semi-annually in the first seventy-eight months and the remaining principal in three semi-annual installments of 33.25 percent respectively starting from the eighty-fourth month.		
Maturity: July 2012		
Rating: AA (PACRA)		
Chief Executive: Mr. Abbas D. Habib		
<b>The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)</b>	<b>2,885</b>	<b>2,887</b>
578 (2008: 578) units of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 190 basis points (no floor no cap)		
Redemption: The TFC is structured to redeem 97.92 percent of principal in four annual installments after a grace period of fifty-four months. The remaining principal is to be redeemed in semi annual installments during the tenor of the TFC.		
Maturity: Eight years from the date of disbursement i.e. February 2013.		
Rating: AA- (PACRA)		
Chief Executive: Mr. Shehzad Naqvi		
<b>Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)</b>	<b>-</b>	<b>11,136</b>
Nil (2008: 11,136) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 3.00 percent per annum with a floor of 6.00 percent and a cap of 10.00 percent per annum		
Redemption: Principal repayment in ten equal semi-annual installments; profit payable on semi-annual basis.		
Maturity: July 2009		
Rating: A (PACRA)		
Chief Executive: Mr. Humayun Nabi Jan		

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	2009	2008
	(Rupees in '000)	
<b>Allied Bank Limited</b>	<b>38,384</b>	<b>38,399</b>
7,686 (2008: 7,686) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.90 percent per annum (no floor no cap)		
Redemption: The instrument is structured to redeem 0.24 percent of principal in the first seventy-two months and the remaining principal in four equal semi-annual installments of 24.94 percent each of the issue amount respectively starting from the seventy-eighth month.		
Maturity: September 2014		
Rating: AA- (JCR - VIS)		
Chief Executive: Mr. Aftab Manzoor		
<b>Pakistan Mobile Communication (Private) Limited</b>	<b>399,440</b>	<b>399,600</b>
80,000 (2008: 80,000) units of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 285 basis points per annum		
Redemption: The instrument is structured to redeem 0.02 percent of principal semi-annually in the first forty-eight months and remaining amount in six semi-annual installments.		
Maturity: Seven years from the date of issue i.e. May 31, 2013		
Rating: AA- (PACRA)		
Chief Executive: Mr. Rashid Khan		
<b>ORIX Leasing Pakistan Limited</b>	<b>154,044</b>	<b>184,889</b>
37,000 (2008: 37,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.50 percent per annum (no floor no cap)		
Redemption: The instrument is structured to redeem 0.08 percent of principal in the first twenty-four months in four equal semi-annual installments and the remaining 99.22 percent of the principal would be redeemed during the last thirty-six months in six equal semi-annual installments.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Humayun Murad		
<b>Jahangir Siddiqui &amp; Company Limited</b>	<b>49,940</b>	<b>49,960</b>
10,000 (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 2.50 percent with a floor of 6.00 percent and a cap of 16.00 percent per annum.		
Redemption: The instrument is structured to redeem 0.18 percent of principal in the first fifty-four months, 49.91 percent in the sixtieth month and the remaining 49.91 percent in the last six months.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Munaf Ibrahim		



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	2009	2008
	(Rupees in '000)	
<b>Azgard Nine Limited</b>	-	12,500
Nil (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.75 percent per annum		
Redemption: Eight equal semi-annual installments commencing from eighteenth month of the issue date; the issuer has a Call Option exercisable at profit payment date to redeem in full or in part the outstanding issue amount of the TFCs.		
Maturity: August 2009		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Financial Receivables Securitization Company Limited</b>	67,368	75,075
15,792 (2008: 15,792) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 2.00 percent per annum with a floor of 8.00 percent and a cap of 16.00 percent per annum.		
Redemption: Principal redemption will be carried out in twelve and eight equal semi-annual installments in arrears, with a grace period of one year and three years for Class A TFCs and Class B TFCs respectively.		
Maturity: January 2014		
Rating: A+ (PACRA)		
Chief Executive: Mr. S. M. Nasir Raza		
<b>Pak Arab Fertilizers Limited</b>	99,940	99,980
20,000 (2008: 20,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.50 percent per annum		
Redemption: Principal redemption in six stepped-up semi-annual installments starting from the issue date; the issuer may call the TFC in part or full on any profit payment date subject to thirty days prior notice.		
Maturity: Five years from the issue date i.e. February 28, 2013		
Rating: AA (PACRA)		
Chief Executive: Mr. Fawad Ahmed Mukhtar		
<b>Askari Bank Limited TFC-3</b>	450,000	-
90,000 (2008: Nil) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR plus 2.50 percent (for one to five years) Average Six Months KIBOR plus 2.95 percent (for six to ten years)		
Redemption: This instrument is structured to redeem 0.32 percent of total issue amount in the first ninety six months after issuance i.e. September 28, 2009 and remaining issue amount in four equal semi-annual installments of 24.92 percent each, starting from the 102nd month after the issuance.		
Maturity: August 2019		
Rating: AA- (PACRA)		
Chief Executive: Mr. Mohammad Rafiquddin Mehkari		
	<u>1,458,428</u>	<u>1,070,931</u>



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	2009	2008
	(Rupees in '000)	
<b>9.14 Particular of Term Finance Certificates - Unquoted, Secured</b>		
<b>Gulshan Spinning Mills Limited</b>	-	14,277
Nil (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.80 percent per annum with a cap of 15.00 percent per annum.		
Redemption: Seven equal semi-annual installments commencing from June 2006		
Maturity: June 2009		
Chief Executive: Mr. Naseer Ahmed		
<b>Paramount Spinning Mills Limited</b>	-	22,843
Nil (2008: 16,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.80 percent per annum with a floor of 8.00 percent per annum.		
Redemption: Seven equal semi-annual installments commencing from June 2006		
Maturity: June 2009		
Chief Executive: Mr. Tanveer Ahmad		
<b>Pakistan International Airlines Corporation</b>	-	354,153
Nil (2008: 100,000) certificates of Rs. 5,000 each		
Mark up: SBP discount rate + 0.50 percent per annum with a floor of 8.00 percent per annum		
Redemption: First four equal semi-annual installments commencing from August 2003 amounting to Rs. 5,000 each. Next six equal semi-annual installments commencing from August 2005 amounting to Rs. 12,499,500 each, subsequent six equal semi-annual installments commencing from August 2008 amounting to Rs. 70,830,500 each; the issuer has a Call Option exercisable any time at 24th, 48th and 72nd month to redeem in full or part with a premium.		
Maturity: February 2011		
Chief Executive: Captain Muhammad Aijaz Haroon		
<b>Crescent Leasing Corporation Limited (2nd Issue)</b>	-	10,000
Nil (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.75 percent per annum		
Redemption: Ten equal semi-annual installments commencing from January 2005; the issuer has a Call Option exercisable at any time from the beginning of the 16th month till the end of the 19th month from the issue date only on a profit payment date subject to a 30 day notice period.		
Maturity: July 2009		
Chief Executive: Syed Shahnawaz Ahmed Rizvi		
<b>Pakistan Mobile Communication (Private) Limited</b>	200,000	200,000
40,000 (2008: 40,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.30 percent per annum		
Redemption: In two equal semi annual installments starting from the 30th month from the date of issue i.e. October 2007. The issuer will have a Call Option to redeem in full or part the outstanding face value of the TFCs on every installment date.		
Maturity: September 2010		
Chief Executive: Mr. Rashid Khan		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Pakistan Mobile Communication (Private) Limited (2nd Issue)</b>	-	30,000
Nil (2008: 30,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.60 percent per annum with a floor of 4.95 percent and a cap of 12.00 percent per annum		
Redemption: Five equal semi-annual installments commencing from March 2007; the issuer has a Call Option exercisable any time from the 36th month to 54th month on a coupon date subject to 30 days notice period to repay in whole or in part.		
Maturity: September 2009		
Chief Executive: Mr. Rashid Khan		
<b>Pak American Fertilizers Limited (formerly known as Dominion Fertilizers (Private) Limited)</b>	499,700	499,900
100,000 (2008: 100,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 325 basis point per annum (no floor no cap)		
Redemption: Redemption after a grace period of one year in 24 equal quarterly installments. The issuer has a Call Option exercisable from six months from the date of disbursement at any mark-up payment date subject to a prepayment amount of at least Rs. 500 million or in multiples thereof in its entirety.		
Maturity: 7 years from the date of disbursement i.e. July 2013.		
Chief Executive: Mr. Ahmed Jaudet Bilal		
<b>BYCO Petroleum Pakistan Limited (formerly known as Bosicor Pakistan Limited)</b>	-	28,571
Nil (2008: 20,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 5.50 percent per annum with a floor of 9.00 percent and a cap of 13.00 percent per annum payable semi-annually.		
Redemption: Seven equal semi-annual installments commencing from August 2006; the issuer has a Call Option exercisable at any time from the 1st principal repayment date (i.e. starting from the 24th month) onwards on a coupon date subject to a 60 days notice period to repay in whole or in part.		
Maturity: September 2009		
Chief Executive: Mr. Amir Abbasciy		
<b>Jahangir Siddiqui &amp; Company Limited</b>	99,920	99,960
20,000 (2008: 20,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.70 percent per annum		
Redemption: The instrument is structured to redeem 0.20 percent of principal in the first 60 months and remaining principal in two equal semi-annual installments of 49.90 percent each of the issue amount respectively from 60th month; the issuer has a Call Option exercisable in full at any time after 1 year on a coupon date.		
Maturity: July 2013		
Chief Executive: Mr. Munaf Ibrahim		

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	2009	2008
	(Rupees in '000)	
<b>Khunja Textile Mills Limited</b>	<b>30,000</b>	<b>30,000</b>
6,000 (2008: 6,000) certificates of Rs. 5,000 each		
Mark-up: Average Six Months KIBOR + 3.00 percent per annum		
Redemption: 10 equal semi-annual installments commencing from the 24th months from first draw down.		
Maturity: April 2014		
Chief Executive: Mr. Manzoor Ahmed Mir		
<b>First Dawood Investment Bank Limited</b>	<b>30,000</b>	<b>30,000</b>
6,000 (2008: 6000) certificates of Rs. 5,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 1.60 percent per annum		
Redemption: Bullet payment at maturity		
Maturity: September 2012		
Chief Executive: Mr. Abdus Samad Khan		
<b>Azgard Nine Limited</b>	<b>99,940</b>	<b>99,960</b>
19,996 (2008: 19,996) certificates of Rs. 5,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 2.25 percent per annum.		
Redemption: The instrument is structured to redeem 0.02 percent of principal semi-annually in the first 12 months and remaining amount in 10 semi-annual installments.		
Maturity: December 2014		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Gujranwala Electric Power Company Limited (GEPCO) - note 9.14.1</b>	<b>4,000,000</b>	<b>4,000,000</b>
40,000 (2008: 40,000) certificates of Rs. 100,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after a grace period of one year.		
Maturity: February 2013		
Chief Executive: Muhammad Ibrahim Majoka		
<b>Faisalabad Electric Supply Company Limited (FESCO) - note 9.14.1</b>	<b>4,000,000</b>	<b>4,000,000</b>
40,000 (2008: 40,000) certificates of Rs. 100,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after a grace period of one year		
Maturity: February 2013		
Chief Executive: Mr. Tanwir Safder Cheema		
<b>National Transmission and Despatch Company</b>	<b>4,000,000</b>	<b>-</b>
800,000 (2008: Nil) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.75 percent per annum		
Redemption: In 6 equal semi annual installments, after completion of grace period. First principal payment due at the end of 30th month from the first disbursement.		
Maturity: March 2014		
Chief Executive: Mr. Tariq Qazi		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Power Holding (Private) Limited</b>	<b>5,440,000</b>	-
1,088,000 (2008: Nil) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 2.00 percent per annum		
Redemption: In 6 equal semi annual installments, after completion of grace period. First principal payment due at the end of 30th month from the first disbursement.		
Maturity: September 2014		
Chief Executive: Mr. Shahid Rafi		
	<b>18,399,560</b>	<b>9,419,664</b>

9.14.1 The Government of Pakistan (GoP) has decided to assume bank loan liabilities of Pakistan Electric Power Company with effect from July 1, 2009. GoP will make arrangement of payment of mark up on these liabilities to lending financial institutions. Pursuant to this decision, the Finance Division of GoP is in the process of finalising modalities for transfer of these liabilities (which include the term finance certificates of GEPCO and FESCO) from the books of power companies to Power Holding (Private) Limited. Accordingly, GEPCO and FESCO have now become fully absolved of these liabilities and the Federal Government will make arrangements for repayment of these term finance certificates. The first installment of principal redemption amounting to Rs. 500 million each which was due from GEPCO and FESCO respectively in August 2009 has not been paid to date and will now be settled by the GoP.

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Unit	2009	2008
				(Rupees in '000)	
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1.00 percent	59,740	298,700	298,700
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	25,000	62,500	93,750
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	38,000	158,334	190,000
Security Leasing Corporation Limited	September 2013	6 months KIBOR plus 1.95 percent	20,000	75,000	100,000
Kohat Cement Company Limited	December 2012	6 months KIBOR plus 1.80 percent	20,000	96,600	94,600
Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	Note 9.15.1	42,272	42,272
BRR Guardian Modaraba	June 2014	6 months KIBOR plus 1.30 percent	20,000	100,000	100,000
K. S. Sulemanji Esmailji & Sons (Private) Limited	June 2015	3 months KIBOR plus 1.30 percent	20,000	95,000	100,000
Sitara Peroxide (Private) Limited	August 2014	3 months KIBOR plus 1.10 percent	60,000	300,000	300,000
Liberty Power Tech Ltd	March 2021	3 months KIBOR plus 3.00 percent	Note 9.15.2	205,304	-
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.50 percent	Note 9.15.3	250,000	-
Security Leasing Corporation Limited	June 2012	6 months KIBOR plus 2.00 percent	5,000	15,625	21,875
Security Leasing Corporation Limited	September 2012	6 months KIBOR plus 1.95 percent	15,000	56,250	75,000
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	September 2015	6 months KIBOR plus 1.50 percent	20,000	98,250	-
				<b>1,853,835</b>	<b>1,416,197</b>

9.15.1 This represents advance payment to Sitara Energy Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2009.

9.15.2 This represents advance payment to Liberty Power Tech Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2009.

9.15.3 This represents conversion of loan amount into sukuk bonds. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2009.

9.16 This represents overseas bonds amounting to BDT 21.080 million issued by IDLC in Bangladesh. These bonds carry interest at 14.09% per annum and are due for maturity in December 2011.

9.17 This represents Credit Linked Note amounting to US Dollar 5.000 million issued by Standard Chartered Bank. The bond carries interest at 3 months LIBOR plus 350 bps and is due for maturity in March 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

		2009	2008
		(Rupees in '000)	
<b>9.18 Particulars of investments in subsidiary companies</b>			
The paid up value of these ordinary shares is Rs.10.			
2009	2008		
(Number of shares)			
7,600,000	7,600,000	<b>Alfalah Securities (Private) Limited</b>	76,000
		Percentage of holding: 76%	76,000
		Break-up value per share: Rs. (58.01)	
		Date of audited financial statements:	
		December 31, 2009	
		Chief Executive: Mohammad Shoaib Memon	
			<u>76,000</u>
			<u>76,000</u>

**9.19 Particulars of investments in associates**

The paid up value of these shares / units is Rs.10 except where stated.

2009	2008		2009	2008
(Number of shares / units)			(Rupees in '000)	
319,054,124	267,957,279 (note 9.19.1)	<b>Warid Telecom (Private) Limited</b>	4,366,796	4,366,796
		Percentage of holding: 8.76% (2008: 8.76%)		
		Break-up value per share: Rs. 10.42 - note 9.19.2		
		Date of last audited financial statements:		
		June 30, 2009		
		Chief Executive: Mr. Muneer Farooqui		
83,494,920	41,747,460	<b>Wateen Telecom Limited</b>	417,474	417,474
		Percentage of holding: 20% (2008: 20%)		
		Break-up value per share: Rs. 6.73 - note 9.19.2		
		Date of last audited financial statements:		
		June 30, 2009		
		Chief Executive: Mr. Tariq Malik		
6,899,000	6,899,000	<b>Alfalah Insurance Limited</b>	68,990	68,990
		Percentage of holding: 30% (2008: 30%)		
		Break-up value per share: Rs. 12.45		
		Date of financial statements: December 31, 2009		
		Chief Executive: Mr. Nasar us Samad Qureshi		
2,413,487	2,413,487	<b>Alfalah GHP Value Fund</b>	100,000	100,000
		Percentage of holding: 28.05% (2008: 15.06%)		
		Break-up value per unit: Rs. 61.15		
		Date of audited financial statements:		
		December 31, 2009		
		Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)		
11,261,109	11,261,109	<b>Alfalah GHP Income Multiplier Fund</b>	550,000	550,000
		Percentage of holding: 92.42% (2008: 54.40%)		
		Break-up value per unit: Rs. 52.06		
		Date of audited financial statements:		
		December 31, 2009		
		Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2009	2008		2009	2008
(Number of shares / units)			(Rupees in '000)	
5,048,225	5,048,225	<b>Alfalah GHP Islamic Fund</b> Percentage of holding: 96.55% (2008: 66.56%) Break-up value per unit: Rs. 62.60 Date of audited financial statements: December 31, 2009 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
13,049,070	13,049,070	<b>Alfalah GHP Investment Management Limited</b> Percentage of holding: 40.22% (2008: 40.22%) Break-up value per share: Rs. 11.86 Date of audited financial statements: December 31, 2009 Chief Executive : Mr. Aziz Anis Dhedhi	130,493	130,493
			<b>5,883,753</b>	<b>5,883,753</b>

9.19.1 Warid Telecom (Private) Limited issued 51,096,845 right shares to the Bank during the year against the amount subscribed by the Bank during the year ended December 31, 2008.

9.19.2 This represents the break-up value of the shares of investee company based on the unaudited financial statements of the company as at December 31, 2009.

9.20 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2009	2008	2009	2008		
	-----Rupees in '000-----					
Market Treasury Bills	34,988,570	30,017,561	35,010,992	30,199,154	(Unrated - Government Securities)	
Pakistan Investment Bonds	5,675,501	457,417	5,675,361	517,781	(Unrated - Government Securities)	
<b>Term Finance Certificates</b>						
Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)	95,960	100,679	99,840	99,880	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)	49,963	52,662	49,930	49,950	AAA	PACRA
Bank Al-Habib Limited	42,832	44,715	46,657	46,675	AA	PACRA
The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)	2,854	3,029	2,885	2,887	AA-	PACRA
Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	-	11,100	-	11,136	BBB(RW-)	PACRA
Allied Bank Limited	37,185	36,978	38,384	38,399	AA-	JCRVIS
Pakistan Mobile Communication (Private) Limited	400,587	427,412	399,440	399,600	AA-	PACRA
ORIX Leasing Pakistan Limited	154,694	187,533	154,044	184,889	AA+	PACRA
Jahangir Siddiqui & Company Limited	51,147	50,225	49,940	49,960	AA+	PACRA
First Dawood Investment Bank Limited	30,000	30,000	30,000	30,000	CCC	PACRA
Financial Receivables Securitization Company Limited "A"	33,827	42,581	34,621	42,315	A+	PACRA
Financial Receivables Securitization Company Limited "B"	31,907	32,760	32,747	32,760	-----	(Unrated)-----
Pak Arab Fertilizers Limited	93,841	100,210	99,940	99,980	AA	JCRVIS
Pakistan Mobile Communication (Private) Limited	200,000	200,000	200,000	200,000	-----	(Unrated)-----
Azgard Nine Limited	99,036	99,960	99,940	99,960	-----	(Unrated)-----
Askari Bank Limited (3rd Issue)	438,107	-	450,000	-	AA-	PACRA
	1,761,940	1,419,844	1,788,368	1,388,391		

9.20 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2009	2008	2009	2008		
	-----Rupees in '000-----					
<b>Shares in Listed Companies / Certificates / Units</b>						
AKD Income Fund	44,935	41,850	41,850	50,000	BBB(f)	JCRVIS
AKD Opportunity Fund	-	36,299	-	80,000	-----	(Unrated)-----
AMZ Plus Income Fund	32,980	30,322	35,000	35,000	BB(f)	JCRVIS
Askari Asset Allocation Fund	-	7,029	-	15,000	-----	(Unrated)-----
Askari Income Fund	77,430	68,583	75,000	75,000	-----	(Unrated)-----
Atlas Income Fund	50,406	46,644	50,435	50,435	A+(f)	PACRA
Dawood Money Market Fund	21,229	18,753	18,754	25,000	-----	(Unrated)-----
First Habib Income Fund	70,823	66,545	70,000	70,000	-----	(Unrated)-----
IGI Income Fund	51,508	48,618	49,958	49,958	3 Star	PACRA
JS Aggressive Income Fund	48,995	50,147	50,695	50,695	-----	(Unrated)-----
JS Income Fund (formerly UTP - Income Fund)	99,936	97,584	100,079	100,079	AA-(f)	PACRA
KASB Liquid Fund	43,181	43,294	50,000	50,000	-----	(Unrated)-----
KASB Stock Market Fund	-	2,446	-	5,000	-----	(Unrated)-----
MCB Dynamic Cash Fund	144,542	137,887	145,167	145,167	-----	(Unrated)-----
Meezan Balanced Fund	15,250	9,500	9,500	25,000	-----	(Unrated)-----
Meezan Islamic Income Fund	49,346	47,167	50,000	50,000	-----	(Unrated)-----
NAFA Cash Fund	426,314	402,106	450,000	450,000	3 Star / 4 Star	PACRA
NAFA Stock Fund	-	12,551	-	20,000	-----	(Unrated)-----
Pak Oman Advantage Fund	159,600	159,600	150,000	150,000	AA-(f)	JCRVIS
Pak Oman Bank of Punjab Advantage Plus Fund	-	47,062	-	51,771	-----	(Unrated)-----
Pak Oman Islamic Fund	30,463	30,540	30,000	30,000	A+(f)	PACRA
Pakistan Capital Market Fund	10,172	9,253	9,882	9,882	-----	(Unrated)-----
Pakistan Income Fund	102,959	94,051	100,000	100,000	AA-(f)	PACRA
Pakistan Premier Fund Limited	-	6,127	-	36,555	-----	(Unrated)-----
Pakistan Strategic Allocation Fund	1,776	912	912	4,000	-----	(Unrated)-----
PICIC Growth Fund	-	2,907	-	18,633	-----	(Unrated)-----
Reliance Income Fund	74,658	87,857	100,000	100,000	-----	(Unrated)-----
United Islamic Income Fund	50,960	47,534	50,000	50,000	-----	(Unrated)-----
United Money Market Fund	198,831	187,126	200,239	200,239	A+ (f)	JCRVIS
United Stock Advantage Fund	-	2,338	-	5,000	-----	(Unrated)-----
UTP - Capital Protected Fund II	-	56,798	-	50,000	AA-	PACRA
UTP A30 + Fund	-	3,371	-	10,000	-----	(Unrated)-----
Adamjee Insurance Company Limited	6,165	-	6,175	-	AA	PACRA
Arif Habib Investment Limited	-	25,121	-	44,871	A/A1	PACRA
Arif Habib Securities Limited	-	9,332	-	16,394	-----	(Unrated)-----
Askari Bank Limited	35,763	43,608	15,269	193,406	AA/A1+	PACRA
Bank Al Habib Limited	-	18,653	-	46,281	AA+/A1+	PACRA
J.S Bank Limited	889	1,005	1,005	1,750	A/A1	PACRA
KASB Securities Limited	24,969	93,794	93,794	180,066	A+/A1	PACRA
MCB Bank Limited	-	20,759	-	38,899	AA+/A1+	PACRA
National Bank of Pakistan	89,988	65,668	96,613	257,147	AAA	JCRVIS
NIB Bank Limited	9,374	9,121	9,121	41,683	AA-/A1+	PACRA
Samba Bank Limited	11,264	-	10,924	-	A	JCRVIS
The Bank of Punjab	1,950	1,320	1,320	2,478	AA-/A1+	PACRA
United Bank Limited	-	5,352	-	9,896	AA+	JCRVIS
Al-Abbas Cement Company Limited	52,716	-	50,118	-	-----	(Unrated)-----
D.G.Khan Cement Limited	-	4,573	-	8,445	-----	(Unrated)-----
Fauji Cement Company Limited	33,128	1,645	34,592	2,045	-----	(Unrated)-----
Fecto Cement Limited	1,279	2,709	1,793	9,701	-----	(Unrated)-----
Lucky Cement Limited	33,490	7,974	30,535	14,731	-----	(Unrated)-----
Kohinoor Energy Limited	66,698	42,417	41,417	70,990	-----	(Unrated)-----
Kot Addu Power Company Limited	22,935	-	22,525	-	-----	(Unrated)-----
Oil and Gas Development Company Limited	110,610	110,038	106,260	248,992	AAA	JCRVIS
Pakistan Oilfields Limited	40,385	54,398	26,089	136,784	-----	(Unrated)-----
Pakistan Petroleum Limited	15,175	73,050	13,278	162,869	-----	(Unrated)-----
Pakistan State Oil Company Limited	29,744	12,289	28,757	22,727	AA+/A1+	PACRA
Southern Electric Power Company Ltd	37,440	27,118	27,118	64,725	-----	(Unrated)-----
The Hub Power Company Limited	93,240	37,339	94,210	82,573	AA+/A1+	PACRA



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Date of issue	Market value		Cost		Long/Medium Term Credit Rating	Rated by	
	2009	2008	2009	2008			
	-----Rupees in '000-----						
Indus Motor Company Limited	-	6,742	-	15,392	-----	(Unrated)-----	
Hira Textile Mills Limited	3,824	2,980	2,980	16,484	-----	(Unrated)-----	
Nishat Mills Limited	-	3,390	-	7,006	A+/A1	PACRA	
Pakistan Telecommunication Company Limited	35,300	-	40,546	-	-----	(Unrated)-----	
Telecard Limited	2,115	1,600	1,600	2,975	-----	(Unrated)-----	
Worldcall Telecom Limited	5,925	4,756	4,756	12,490	A-/A2	PACRA	
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	-	1,929	-	3,609	AA/A1+	PACRA	
Fauji Fertilizer Bin Qasim Limited	13,065	64,887	12,390	185,298	-----	(Unrated)-----	
Fauji Fertilizer Company Limited	102,930	29,365	103,371	62,684	-----	(Unrated)-----	
ICI Pakistan Limited	-	1,718	-	3,175	-----	(Unrated)-----	
Crescent Steel Limited	-	18,733	-	80,954	-----	(Unrated)-----	
Pace Pakistan Limited	-	18,550	-	62,997	A/A1	PACRA	
Tri- Pack Limited	-	1,246	-	1,530	A+/A1	PACRA	
	2,686,655	2,725,980	2,714,027	4,274,461			
<b>Shares in Un-listed Companies</b>							
Pakistan Export Finance Guarantee Agency Limited	Not Applicable		5,725	5,725	-----	(Unrated)-----	
Society for Worldwide Interbank Financial Telecommunication	Not Applicable		4,096	4,096	-----	(Unrated)-----	
Al-Hamra Hills (Private) Limited	Not Applicable		70,000	70,000	-----	(Unrated)-----	
Al-Hamra Avenue (Private) Limited	Not Applicable		50,000	50,000	-----	(Unrated)-----	
			129,821	129,821			
Ijara Sukuk Bonds	26-Sep-08	1,002,075	955,940	1,002,075	1,003,002	-----	(Unrated)-----
Ijara Sukuk Bonds	29-Dec-08	1,000,000	989,081	1,000,000	1,000,000	-----	(Unrated)-----
Ijara Sukuk Bonds	11-Mar-09	2,500,000	-	2,500,000	-	-----	(Unrated)-----
Ijara Sukuk Bonds	17-Sep-09	3,405,000	-	3,405,000	-	-----	(Unrated)-----
Sui Southern Gas Company		93,203	-	95,950	-	AA	PACRA
Security Leasing Corporation Limited - I		50,175	75,300	56,250	75,000	-----	(Unrated)-----
Security Leasing Corporation Limited - II		13,954	21,917	15,625	21,875	-----	(Unrated)-----
		8,064,407	2,042,238	8,074,900	2,099,877		
		53,177,073	36,663,040	53,393,469	38,609,485		

2009	2008
(Rupees in '000)	
1,479,062	-
317,164	1,479,062
(32,375)	-
(1,438,693)	-
<u>325,158</u>	<u>1,479,062</u>

9.21 Particulars of provision for diminution in value of investments

Opening balance
Charge for the year
Reversals
Provision written off during the year
Closing balance

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>9.22 Particulars of provision for diminution in value of investments by type and segment</b>		
<b>Available-for-sale securities</b>		
<b>Listed companies / mutual funds</b>		
- Fully paid up ordinary shares / units / certificates	132,497	1,438,693
<b>Unlisted companies</b>		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	3,926
- Al-Hamra Hills (Private) Limited	3,723	-
- Al-Hamra Avenue (Private) Limited	2,314	-
<b>Held-to-maturity securities</b>		
<b>Unlisted companies</b>		
- Term finance certificates / sukuk bonds		
- Kohat Cement Company Limited	74,899	-
- Khunja Textiles Mills Limited	30,000	-
<b>Investment in subsidiary companies</b>		
- Fully paid up ordinary shares of Rs. 10 each		
- Alfalah Securities (Private) Limited	76,000	36,443
	<u>325,158</u>	<u>1,479,062</u>

9.23 Unrealized gain / (loss) on revaluation of investments classified as held for trading - net

Investee Company	Unrealised gain / (loss)		Cost	
	2009	2008	2009	2008
	-----Rupees in '000-----			
<b>Fully paid up ordinary shares / units - Listed</b>				
NAFA Stock Fund	187	-	10,952	-
Adamjee Insurance Company Limited	(59)	-	3,142	-
Allied Bank Limited	(140)	-	4,545	-
Arif Habib Investment Management Limited	(395)	-	9,297	-
Arif Habib Securities Limited	402	-	12,559	-
Jahangir Siddiqui & Company Limited	(36)	-	6,802	-
National Bank of Pakistan	55	-	2,369	-
United Bank Limited	(129)	-	3,051	-
Lucky Cement Limited	122	-	3,640	-
Pakistan Oilfields Limited	2,103	-	55,359	-
Pakistan Petroleum Limited	1,394	-	34,354	-
Southern Electric Power Company Limited	103	-	2,052	-
Azgard Nine Limited	(19)	-	3,553	-
Nishat Mills Limited	148	-	6,842	-
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	32	-	3,232	-
Fauji Fertilizer Bin Qasim Limited	-	-	2,744	-
Fauji Fertilizer Company Limited	(1,216)	-	31,806	-
ICI Pakistan Limited	121	-	4,092	-
Lotte Pakistan PTA Limited (Formerly Pakistan PTA Limited)	35	-	1,586	-
Crescent Steel & Allied Products Limited	(1)	-	29,087	-
Pace Pakistan Limited	186	-	12,830	-
Tri- Pack Films Limited	(50)	-	1,080	-
Pakistan Telecommunication Limited	6	848	8,466	3,375
The Hub Power Company Limited	-	220	-	6,825
	<u>2,849</u>	<u>1,068</u>	<u>253,440</u>	<u>10,200</u>
Unrealised loss in respect of equity securities reclassified from held for trading category to Available for Sale - note 9.23.1	-	(182,639)	-	-
	<u>2,849</u>	<u>(181,571)</u>	<u>253,440</u>	<u>10,200</u>

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9.23.1 This reclassification was made as allowed under BSD Circular No. 10 of 2004 "Revaluation surplus / deficit" dated July 13, 2004 issued by the State Bank of Pakistan.

	Note	2009	2008
(Rupees in '000)			
<b>10 ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		170,988,025	168,178,981
Outside Pakistan		9,030,597	10,007,299
		<u>180,018,622</u>	<u>178,186,280</u>
Net investment in finance lease			
In Pakistan	10.2	10,143,355	14,118,406
Outside Pakistan		-	-
		<u>10,143,355</u>	<u>14,118,406</u>
Financing and investing assets under IFAS 2 Ijarah	10.3	946,536	-
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,628,365	1,092,683
Payable outside Pakistan		4,666,290	4,534,302
		<u>6,294,655</u>	<u>5,626,985</u>
		<u>197,403,168</u>	<u>197,931,671</u>
Provision against advances			
Specific provision against non-performing advances	10.5	(8,597,664)	(5,055,598)
General provision against advances	10.5	(763,066)	(1,085,085)
		<u>(9,360,730)</u>	<u>(6,140,683)</u>
		<u>188,042,438</u>	<u>191,790,988</u>
<b>10.1 Particulars of advances - gross of provisions</b>			
10.1.1 In local currency		181,937,581	180,685,958
In foreign currencies		15,465,587	17,245,713
		<u>197,403,168</u>	<u>197,931,671</u>
Short term (upto one year)		141,352,968	131,971,306
Long term (over one year)		56,050,200	65,960,365
		<u>197,403,168</u>	<u>197,931,671</u>

**10.2 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)								
Lease rentals receivable	2,430,770	5,545,456	5,341	7,981,567	4,116,841	7,556,574	743,175	12,416,590
Residual value	820,856	2,789,708	3,173	3,613,737	825,195	3,304,952	171,832	4,301,979
Minimum lease payments	3,251,626	8,335,164	8,514	11,595,304	4,942,036	10,861,526	915,007	16,718,569
Financial charges for future periods	(470,712)	(980,445)	(792)	(1,451,949)	(762,616)	(1,780,849)	(56,698)	(2,600,163)
Present value of minimum lease payments	<u>2,780,914</u>	<u>7,354,719</u>	<u>7,722</u>	<u>10,143,355</u>	<u>4,179,420</u>	<u>9,080,677</u>	<u>858,309</u>	<u>14,118,406</u>

10.2.1 Net investment in finance lease includes ijarah financing made prior to January 1, 2009. Ijarah contracts entered on or after January 1, 2009 have been accounted for in accordance with the requirements of IFAS 2, "Ijarah" and presented separately as financing and investing assets as disclosed in note 10.3.

10.3 Financing and investing assets under IFAS-2 (Ijarah)

a) Brief description of the ijarah arrangements

Ijarah contracts entered into by the Bank essentially represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. The significant ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

b) Movement in net book value of ijarah assets

	Asset categories				Total
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	
	------(Rupees in '000)-----				
At January 1, 2009					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
Year ended December 31, 2009					
Opening net book value	-	-	-	-	-
Additions	660,375	221,326	123,567	5,994	1,011,262
Disposals	-	-	-	-	-
Depreciation	(34,512)	(25,574)	(3,484)	(945)	(64,515)
Adjustment	(211)	-	-	-	(211)
Closing net book value	<u>625,652</u>	<u>195,752</u>	<u>120,083</u>	<u>5,049</u>	<u>946,536</u>
At December 31, 2009					
Cost	660,375	221,326	123,567	5,994	1,011,262
Accumulated depreciation	(34,723)	(25,574)	(3,484)	(945)	(64,726)
Net book value	<u>625,652</u>	<u>195,752</u>	<u>120,083</u>	<u>5,049</u>	<u>946,536</u>

c) Future Ijarah payments receivable

Not later than one year  
 Later than one year and not later than five years  
 Later than five years

	2009	2008
	(Rupees in '000)	
	196,989	-
	1,078,778	-
	-	-
	<u>1,275,767</u>	<u>-</u>

10.4 Advances include Rs 16.186 billion (2008: Rs 8.934 billion) which have been placed under non-performing status as detailed below:-

Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Other Assets Especially Mentioned (Agri Financing)	145,523	-	145,523	-	-	-	-	-	-
Substandard*	3,101,991	3,047	3,105,038	481,290	330	481,620	481,290	330	481,620
Doubtful	2,105,414	16,748	2,122,162	586,676	8,374	595,050	586,676	8,374	595,050
Loss	10,533,070	279,923	10,812,993	7,323,872	197,122	7,520,994	7,323,872	197,122	7,520,994
	<u>15,885,998</u>	<u>299,718</u>	<u>16,185,716</u>	<u>8,391,838</u>	<u>205,826</u>	<u>8,597,664</u>	<u>8,391,838</u>	<u>205,826</u>	<u>8,597,664</u>

\*Substandard advances include amount of Rs. 105.24 million, for which provision has been maintained at 60% of the outstanding balance on SBPs instruction.

Category of Classification Other Assets Especially Mentioned (Agri Financing)	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	------(Rupees in '000)-----								
Substandard	167,310	8,632	175,942	-	432	432	-	432	432
Doubtful	2,405,146	39,245	2,444,391	386,462	3,047	389,509	386,462	3,047	389,509
Loss	1,519,621	22,711	1,542,332	567,029	22	567,051	567,029	22	567,051
	4,546,027	225,581	4,771,608	3,919,558	179,048	4,098,606	3,919,558	179,048	4,098,606
	<u>8,638,104</u>	<u>296,169</u>	<u>8,934,273</u>	<u>4,873,049</u>	<u>182,549</u>	<u>5,055,598</u>	<u>4,873,049</u>	<u>182,549</u>	<u>5,055,598</u>

### 10.5 Particulars of provision against advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	5,055,598	1,085,085	6,140,683	3,380,409	1,099,409	4,479,818
Exchange adjustment and other movements	51,038	(30,892)	20,146	20,291	43,907	64,198
Charge for the year	4,854,498	-	4,854,498	3,026,822	73,906	3,100,728
Reversals / recoveries	(868,825)	(291,127)	(1,159,952)	(932,594)	(132,137)	(1,064,731)
	3,985,673	(291,127)	3,694,546	2,094,228	(58,231)	2,035,997
Amounts written off	10.6.1 (494,645)	-	(494,645)	(439,330)	-	(439,330)
Closing balance	<u>8,597,664</u>	<u>763,066</u>	<u>9,360,730</u>	<u>5,055,598</u>	<u>1,085,085</u>	<u>6,140,683</u>

10.5.1 During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 10 dated October 20, 2009. Under the revised guidelines issued by SBP, banks have been allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement with effect from September 30, 2009. However, as per the Circular the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential, commercial and industrial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by SBP which were effective from December 31, 2008, banks were allowed to avail the benefit of 30% of forced sales value of pledged stocks and only mortgaged residential and commercial properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement. The benefit of discounted forced sales value of mortgaged industrial properties was previously not available to banks for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2009 would have been lower by approximately Rs. 600.957 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2009 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs. 1,562.488 million (2008: 404.459).

10.5.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision for overseas branches is maintained in accordance with the guidelines of the authorities in the respective countries.

### 10.5.3 Particulars of provisions against advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	8,391,839	688,699	9,080,538	4,873,049	1,002,012	5,875,061
In foreign currencies	205,825	74,367	280,192	182,549	83,073	265,622
	<u>8,597,664</u>	<u>763,066</u>	<u>9,360,730</u>	<u>5,055,598</u>	<u>1,085,085</u>	<u>6,140,683</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	Note	2009	2008
(Rupees in '000)			
<b>10.6 Particulars of write-offs</b>			
10.6.1 Against provisions		494,645	439,330
Directly charged to profit and loss account		59,817	28,298
		<u>554,462</u>	<u>467,628</u>
10.6.2 Write offs of Rs. 500,000 and above		46,946	35,381
Write offs of below Rs. 500,000		507,516	432,247
		<u>554,462</u>	<u>467,628</u>
10.7 Details of loans written-off of Rs. 500,000/- and above			

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

**10.8 Particulars of loans and advances to directors, executives, 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	2,994,577	2,086,792
- Loans granted during the year	1,257,102	1,444,169
- Repayments	(659,404)	(536,384)
- Balance at end of year	<u>3,592,275</u>	<u>2,994,577</u>

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

- Balance at beginning of year	998,792	8,296
- Loans granted during the year	1,768,474	15,063,981
- Repayments	(998,987)	(14,073,485)
- Balance at end of year	<u>1,768,279</u>	<u>998,792</u>

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

- Balance at beginning of year	220,395	175,064
- Loans granted during the year	5,853,280	26,784,026
- Repayments	(5,472,060)	(26,738,695)
- Balance at end of year	<u>601,615</u>	<u>220,395</u>

Total

5,962,169      4,213,764

**11 FIXED ASSETS**

Capital work-in-progress	11.1	2,225,154	2,417,954
Property and equipment	11.2	12,079,035	11,137,408
Intangible assets	11.5	188,005	217,931
		<u>14,492,194</u>	<u>13,773,293</u>

**11.1 Capital work-in-progress**

Civil works	662,923	1,100,955
Equipment / intangibles	1,265,727	775,577
Advances to suppliers and contractors	266,511	461,390
Others	29,993	80,032
	<u>2,225,154</u>	<u>2,417,954</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11.2 Property and equipment

2009										
Description	Cost / revaluation at January 1, 2009	Additions / (disposals) / *adjustments	Revaluation surplus / (reversal of accumulated depreciation)	Cost/ Revaluation as at December 31, 2009	Accumulated depreciation at January 1, 2009	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2009	Accumulated depreciation at December 31, 2009	Net Book Value at December 31, 2009	Rate of depreciation %
(Rupees in '000)										per annum
Office premises	4,605,442	272,372 (427) * (15,987)	- (188,449)	4,672,951	108,814	73,643 (14) * 6,006	(188,449)	-	4,672,951	2.5%-5.5%
Revaluation	3,230,372		416,873 (113,640)	3,533,605	75,646	37,994	(113,640)	-	3,533,605	2.5%-5.5%
	7,835,814	272,372 (427) * (15,987)	416,873 (302,089)	8,206,556	184,460	111,637 (14) * 6,006	(302,089)	-	8,206,556	
Lease hold improvements	1,551,063	774,613 (49,028) * 16,362		2,293,010	705,997	414,528 (10,876) * 9,182	-	1,118,831	1,174,179	20%
Furniture and fixtures	1,078,726	301,885 (7,283) * (1,736)		1,371,592	338,716	139,162 (2,369) * 1,919	-	477,428	894,164	10% - 25%
Office equipment	3,847,035	732,679 (34,205) * (30,369)		4,515,140	2,095,900	753,807 (23,337) * (15,202)	-	2,811,168	1,703,972	20% - 25%
Vehicles	314,636	12,399 (86,459) * 3,275		243,851	164,793	48,650 (72,161) * 2,405	-	143,687	100,164	25%
	14,627,274	2,093,948 (177,402) * (28,455)	416,873 (302,089)	16,630,149	3,489,866	1,467,784 (108,757) * 4,310	(302,089)	4,551,114	12,079,035	
2008										
Description	Cost / revaluation at January 1, 2008	Additions / (disposals) / *adjustments	Reclassification	Cost/ Revaluation as at December 31, 2008	Accumulated depreciation at January 1, 2008	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2008	Accumulated depreciation at December 31, 2008	Net Book Value at December 31, 2008	Rate of depreciation %
(Rupees in '000)										per annum
Office premises	3,985,401	824,153 (5,400) * (9,340)	(189,372)	4,605,442	47,364	61,869 (94) * (325)		108,814	4,496,628	2.5%-5.5%
Revaluation	3,041,000		189,372	3,230,372	37,823	37,823		75,646	3,154,726	2.5%-5.5%
	7,026,401	824,153 (5,400) * (9,340)	-	7,835,814	85,187	99,692 (94) * (325)		184,460	7,651,354	
Lease hold improvements	1,044,085	509,815 (4,189) * 1,352	-	1,551,063	449,883	253,233 (2,957) * 5,838		705,997	845,066	20%
Furniture and fixtures	756,143	316,491 (4,727) * 10,819	-	1,078,726	221,931	101,937 (2,559) * 17,407		338,716	740,010	10% - 25%
Office equipment	3,188,905	712,814 (61,236) * 6,552	-	3,847,035	1,486,113	653,016 (57,388) * 14,159		2,095,900	1,751,135	20% - 25%
Vehicles	563,093	80,291 (343,046) * 14,298	-	314,636	272,419	97,947 (209,630) * 4,057		164,793	149,843	25%
	12,578,627	2,443,564 (418,598) * 23,681	-	14,627,274	2,515,533	1,205,825 (272,628) * 41,136		3,489,866	11,137,408	



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11.3 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 1,186 million (2008: Rs. 736.28 million).

11.4 During the year office premises have been revalued on December 30, 2009 on the basis of market value by Harvester Services (Private) Limited, Valuation and Engineering Consultant which has resulted in a surplus on revaluation of Rs. 416.873 million. Had there been no revaluation, the carrying value of office premises would have been Rs. 4,672.951 million.

11.5 Intangible assets

	2009							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization %
	Opening Balance	Additions/ (Deletions)/ * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance		
------(Rupees in '000)-----								
Computer software	360,411	34,988	395,338	142,480	64,999	207,333	188,005	20%
		-			-			
		* (61)			* (146)			
Goodwill	56,031	-	56,031	56,031	-	56,031	-	
		-			-			
		-			-			
	416,442	34,988	451,369	198,511	64,999	263,364	188,005	
	-	-	-	-	-	-	-	
	-	* (61)	-	-	* (146)	-	-	

	2008							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization %
	Opening Balance	Additions/ (Deletions)/ * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance		
------(Rupees in '000)-----								
Computer software	209,605	150,865	360,411	92,929	49,720	142,480	217,931	20%
	-	-	-	-	-	-	-	
	-	* (59)	-	-	* (169)	-	-	
Goodwill	-	56,031	56,031	-	56,031	56,031	-	
	209,605	206,896	416,442	92,929	105,751	198,511	217,931	
	-	-	-	-	-	-	-	
	-	* (59)	-	-	* (169)	-	-	

11.6 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 115.349 million (2008: Rs. 104.362 million).

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

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Office premises Broken Glass	427	14	413	275	Insurance claim	M/s Alfalah Insurance Ltd. (Related party)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
<b>Leasehold Improvements</b>						
Renovation Work	414	132	282	192	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Renovation Work	3,233	2,183	1,050	-	Write Off	
Renovation Work	37,131	6,181	30,950	31,588	Negotiation	Rana Abdul Qayyum
Renovation Work	1,955	567	1,388	-	Write Off	
Renovation Work	521	-	521	627	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Renovation Work	689	240	449	-	Write Off	
Renovation Work	2,223	235	1,988	-	Write Off	
Renovation Work	1,266	216	1,050	-	Write Off	
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	1,596	1,122	474	378	Various	Various
	<b>49,028</b>	<b>10,876</b>	<b>38,152</b>	<b>32,785</b>		
<b>Furniture and fixtures</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	7,283	2,369	4,914	4,357	Various	Various
	<b>7,283</b>	<b>2,369</b>	<b>4,914</b>	<b>4,357</b>		
<b>Office equipment</b>						
ATM machine	814	73	741	319	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
ATM machine	814	56	758	517	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
ATM machine	1,182	322	860	1,005	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Diesel generator	1,200	467	733	733	Negotiation	Rana Abdul Qayyum
Diesel generator	895	597	298	365	Bid	Askari Bank Limited
Diesel generator	1,200	838	362	362	Bid	Bashir Ahmed & Co
Diesel generator	1,000	549	451	585	Bid	M/s Mearud Engineering
HVAC	7,576	7,576	-	600	Negotiation	M/s H.A Constructions
Transformer	2,299	307	1,992	1,992	Negotiation	Rana Abdul Qayyum
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	17,225	12,552	4,673	6,615	Various	Various
	<b>34,205</b>	<b>23,337</b>	<b>10,868</b>	<b>13,093</b>		
<b>Vehicles</b>						
Honda Accord	3,146	3,146	-	307	As per Bank Policy *	Mr. Majedur Rahman, Ex Country Head Bangladesh
Honda City	933	428	505	792	Bid	M/s SGM Sugar Mills
Honda City	850	558	292	293	As per Bank Policy	Mr. Sohail Mairaj Qureshi
Honda City	901	568	333	333	Bid	M/s Al Razi Health Care (Pvt.) Limited
Honda City	933	306	627	628	As per Bank Policy	Mr. Kashif Iqbal
Honda City	901	338	563	563	As per Bank Policy	Mr. Hasan Riaz
Honda City	908	113	795	830	Bid	M/s Al Razi Health Care (Pvt.) Limited
Honda City	901	636	265	727	Bid	M/s SGM Sugar Mills
Honda City	901	448	453	825	Bid	M/s Al Razi Health Care (Pvt.) Limited
Honda City	934	182	752	746	As Per Bank Policy	Mr. Sohail Rizvi
Honda City	834	571	263	540	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Honda City	922	459	463	735	Bid	Mr. Tariq Latif
Honda City	901	448	453	735	Bid	Mr. Muhammad Tariq
Honda City	936	583	353	700	Bid	Mr. Muhammad Saeed
Honda City	899	553	346	882	Bid	M/s Taavun (Pvt.) Limited (Related party)
Honda City	934	390	544	801	As Per Bank Policy	Mr Atta-Ur-Rehman
<b>Balance carried forward</b>	<b>16,734</b>	<b>9,727</b>	<b>7,007</b>	<b>10,437</b>		

\* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Balance brought forward	16,734	9,727	7,007	10,437		
Honda City	909	248	661	795	Bid	Mr. M.S.Babar
Honda City	901	629	272	366	As Per Bank Policy *	Mr. Riaz-Ul-Haq
Honda Civic	1,052	1,052	-	584	Bid	Mr. Salman Aftab Rao
Honda Civic	1,165	1,165	-	600	Bid	Mr. Hassan Mobeel Alam
Honda Civic	1,002	878	124	843	Bid	Mr. Muhammad Tariq
Honda Civic	1,195	1,195	-	816	Bid	Mr. Muhammad Saeed
Honda Civic	1,070	1,063	7	930	Bid	Mr. Muhammad Ajmal
Honda Civic	1,042	974	68	850	Bid	Mr. Muhammad Tariq
Suzuki Cultus	561	244	317	619	Bid	Syed Shah Ali Murtaza
Suzuki Cultus	562	245	317	507	As per Bank Policy	Mr. Zulifqar Ali
Suzuki Cultus	555	263	292	292	As per Bank Policy	Mr. Fawad Mazhery
Suzuki Cultus	586	115	471	653	Bid	Mr. Muhammad Tariq
Suzuki Cultus	555	231	324	620	Bid	Syed Shah Ali Murtaza
Suzuki Cultus	555	230	325	617	As per Bank Policy	Mr. Ausaf Muzammil
Toyota Corolla	1,189	1,189	-	679	Bid	Mr. Irfan Ahmad
Toyota Corolla	1,279	1,229	50	651	Bid	Mr. Qasim Masud
Toyota Corolla	1,564	1,564	-	636	Bid	Mr. Atal Shahzada
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	53,983	49,920	4,063	40,161	Various	Various
	86,459	72,161	14,298	61,656		
<b>Total - December 31, 2009</b>	<b>177,402</b>	<b>108,757</b>	<b>68,645</b>	<b>112,166</b>		
- December 31, 2008	418,598	272,628	145,970	223,967		

\* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

Note	2009	2008
(Rupees in '000)		
<b>12 OTHER ASSETS</b>		
Income / mark-up accrued in local currency	10,181,633	7,309,047
Income / mark-up accrued in foreign currency	467,294	302,222
Advances, deposits, advance rent and other prepayments	1,881,591	2,509,701
Assets acquired in satisfaction of claims	338,920	23,146
Advances against future Murabaha	3,512,142	196,311
Advances against future Ijarah	161,426	233,755
Advances against Diminishing Musharakah	156,845	450,115
Branch adjustment account	112,533	-
Tax recoverable	369,382	-
Dividend receivable	5,818	11,169
Prepaid exchange risk fee	2,066	2,290
Stationery and stamps on hand	92,386	81,333
Others	19,071	6
	17,301,107	11,119,095
Less: Mark up held in suspense account	(2,642,053)	(1,240,054)
Less: Provision held against other assets	(9,674)	(9,674)
	14,649,380	9,869,367

12.1 This includes a property acquired from a customer in satisfaction of claims amounting to Rs. 220 million (2008: Nil). The management is evaluating the possibility to realise the benefit of this property through continuing use rather than through a sale transaction.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>13</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	3,576,887	3,228,056
	Outside Pakistan	189,257	223,975
		3,766,144	3,452,031
<b>14</b>	<b>BORROWINGS</b>		
	In Pakistan	18,887,601	13,004,055
	Outside Pakistan	1,766,320	686,167
		20,653,921	13,690,222
<b>14.1</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	18,887,601	13,004,055
	In foreign currencies	1,766,320	686,167
		20,653,921	13,690,222
<b>14.2</b>	<b>Details of borrowings secured / unsecured</b>		
	<b>Secured</b>		
	Borrowings from State Bank of Pakistan under:		
	Export refinance scheme	14.3 8,652,611	7,314,662
	Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	14.4 470,866	559,280
	Long Term Finance Facility	75,513	40,890
	Repurchase agreement borrowings	14.5 9,488,610	4,789,223
		18,687,600	12,704,055
	<b>Unsecured</b>		
	Call borrowings	1,809,016	472,016
	Overdrawn nostro accounts	157,305	514,151
		1,966,321	986,167
		20,653,921	13,690,222
14.3	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges between 7.5% to 8% per annum (2008: 6.5% per annum) payable on a quarterly basis.		
14.4	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 4% to 5% per annum (2008: 4% to 6.5% per annum) payable on a quarterly basis.		
14.5	This represents repurchase agreement borrowings from other banks at rates ranging from 11.50% to 12.40% per annum (2008: 7.50% to 14.90% per annum) maturing by July 2010 (2008: January 2009).		
<b>15</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers</b>		
	Fixed deposits	121,729,436	116,688,618
	Savings deposits	83,905,340	86,416,689
	Current accounts - non-remunerative	88,461,061	78,316,246
	Others	4,753,199	7,715,468
		298,849,036	289,137,021
	<b>Financial institutions</b>		
	Remunerative deposits	25,709,867	11,570,748
	Non-remunerative deposits	200,849	25,089
		25,910,716	11,595,837
		324,759,752	300,732,858

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

		2009	2008
		(Rupees in '000)	
<b>15.1</b>	<b>Particulars of deposits</b>		
	In local currency	263,449,900	249,863,586
	In foreign currencies	61,309,852	50,869,272
		<u>324,759,752</u>	<u>300,732,858</u>
<b>16</b>	<b>SUB-ORDINATED LOANS</b>		
	<b>Term Finance Certificates II - Quoted, Unsecured</b>	<b>1,247,600</b>	<b>1,248,080</b>
Mark up	Base Rate + 1.50 percent (Base Rate is defined as the simple average (average of the KIBOR Rate quoted by banks for that day) of the ask rate of the six months Karachi Interbank Offer rate (KIBOR) prevailing on the first day of the start of each half yearly period for mark up due at the end of that period)		
Subordination	The TFCs are subordinated as to the payment of principal & profit. In case of occurrence of default, the TFC holder will rank below the senior unsecured creditors and depositors and other creditors of the Bank.		
Issue Date	December 2004		
Rating	AA-		
Tenor	Eight years		
Redemption	3 equal semi-annual installments commencing 84th month after the issue date.		
Maturity	December 2012		
	<b>Term Finance Certificates III - Quoted, Unsecured</b>	<b>1,322,581</b>	<b>1,323,089</b>
Mark up	Base Rate + 1.50 percent (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period and mark up due at the end of that period)		
Subordination	The TFCs are subordinated as to the payment of principal & profit to all other indebtedness of the bank.		
Issue Date	November 2005		
Rating	AA-		
Tenor	Eight years		
Redemption	3 equal semi-annual installments commencing 84th month after the issue date.		
Maturity	November 2013		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

		Note	2009	2008
			(Rupees in '000)	
<b>Term Finance Certificates IV - Private, Unsecured</b>			<b>5,000,000</b>	-
Mark up	Either of the following options with the holder: - Floating coupon of Base Rate + 2.50 percent (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period and mark up due at the end of that period)  - Fixed coupon of 15 percent per annum payable semi-annually in arrears			
Subordination	The TFCs are subordinated as to the payment of principal & profit to all other indebtedness of the bank.			
Issue Date	December 2009			
Rating	AA-			
Tenor	Eight years			
Redemption	3 equal semi-annual installments commencing 84th month after the issue date.			
Maturity	December 2017			
			<b>7,570,181</b>	<b>2,571,169</b>
<b>17</b>	<b>DEFERRED TAX LIABILITIES</b>			
<b>Deferred credits arising due to</b>				
Difference between accounting book value of leased assets and lease liabilities			283,772	778,188
Accelerated tax depreciation			1,396,781	1,304,686
Surplus on revaluation of operating fixed assets			723,611	585,753
			<b>2,404,164</b>	<b>2,668,627</b>
<b>Deferred debits arising due to</b>				
Provision for doubtful debts			(1,732,167)	(1,799,066)
Provision against other assets			(3,386)	(3,386)
Provision against off-balance sheet obligations			(13,168)	(4,969)
Impairment in the value of Investment		17.1	(224,788)	(517,703)
Unrealized loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale			(10,201)	(63,550)
Deficit on revaluation of securities			(240,603)	(71,488)
			<b>(2,224,313)</b>	<b>(2,460,162)</b>
			<b>179,851</b>	<b>208,465</b>

17.1 This includes deferred tax in respect of impairment recognised in value of investment which has been written off in the books of the Bank. The tax benefit for this amount will be allowed upon disposal of these investments.

17.2 Through the Finance Act, 2007 7th Schedule (the 'Schedule'), was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009. The Schedule did not contain transitory provisions to deal with the disallowances made upto December 31, 2007 and certain other matters including treatment relating to leases disbursed by the bank. This issue had been taken up with the tax authorities through the Pakistan Banks' Association for formulation of transitory provisions to deal with the items which were previously treated differently under the applicable provisions. During the current year, the Federal Board of Revenue (FBR) through their letter F.No 4(I)ITP/2008-49 dated December 23, 2009 has clarified that the:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- amount provided for in the tax year 2008 and prior to the said tax year for or against irrecoverable or doubtful advances which were neither claimed nor allowed as a tax deductible in any tax year, shall be allowed in the tax year in which such advances are actually written off against such provisions, in accordance with the provisions of Section 29 and 29A of the Income Tax Ordinance 2001.
- amounts provided for in the tax year 2008 and prior to the said tax year for or against irrevocable or doubtful advances, which were neither claimed nor allowed as a tax deductible in any tax year, which were written back in the tax year 2009 and thereafter in any tax year and credited to the profit and loss account, shall be excluded in computing the total income of that tax year under Rule 1 of the Schedule.
- the provision of the Seventh Schedule shall not apply to any assets given or acquired on finance lease by a banking company upto tax year 2008 and recognition of income and deduction in respect of such asset shall be dealt in accordance with the provisions of the Income Tax Ordinance 2001 as if this schedule has not come into force. Provided that un-absorbed depreciation in respect of such assets shall be allowed to be set-off against the said lease rental income only.

In view of the aforementioned clarification, deferred tax on timing differences relating to prior years has been retained by the bank.

	Note	2009	2008
(Rupees in '000)			
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		4,264,671	4,103,569
Mark-up / return / interest payable in foreign currency		379,660	360,133
Unearned commission and income on bills discounted		171,693	151,561
Accrued expenses		590,325	431,803
Current taxation		-	1,057,727
Payable against redemption of credit card reward points		133,601	199,409
Branch adjustment account		-	14,028
Security deposits against leases		3,983,439	4,321,506
Exchange difference payable to SBP		44,081	45,246
Payable to brokers	18.1	3,007	19
Unrealized loss on forward exchange contracts		55,350	180,845
Provision against off-balance sheet obligations	18.2	37,623	38,142
Workers Welfare Fund	28.1	63,260	106,621
Others		280,076	280,671
		<u>10,006,786</u>	<u>11,291,280</u>
18.1	This represents amounts payable to brokers against purchase of shares.		
<b>18.2 Provision against off-balance sheet obligations</b>			
Opening balance		38,142	6,959
Exchange adjustment		900	2,601
Charge for the year		(1,419)	28,582
Closing balance		<u>37,623</u>	<u>38,142</u>
<b>19 SHARE CAPITAL</b>			
<b>19.1 Authorized Capital</b>			
		<b>2009</b>	<b>2008</b>
		(Number of shares)	
		<u>2,300,000,000</u>	<u>1,500,000,000</u>
	Ordinary shares of Rs. 10/- each	<u>23,000,000</u>	<u>15,000,000</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

		Note	2009	2008
			(Rupees in '000)	
<b>19.2 Issued, subscribed and paid up capital Ordinary Shares of Rs.10 each</b>				
<b>2009</b>	<b>2008</b>			
(Number of shares)				
<b>Ordinary shares</b>				
Fully paid in cash				
		- at the beginning of the year	2,250,000	2,250,000
225,000,000	225,000,000	- during the year	3,997,500	-
399,750,000	-		6,247,500	2,250,000
624,750,000	225,000,000			
Issued as bonus shares				
		- at the beginning of the year	5,745,000	4,250,000
574,500,000	425,000,000	- during the year	1,499,063	1,495,000
149,906,250	149,500,000		7,244,063	5,745,000
724,406,250	574,500,000			
<u>1,349,156,250</u>	<u>799,500,000</u>		<u>13,491,563</u>	<u>7,995,000</u>

This includes 8,000 shares, representing rights relating to applications rejected and missing from the offer for sale of shares. These right shares will be offered to those applicants who were allotted/ offered shares in accordance with the directives / guidance of the Securities and Exchange Commission of Pakistan. These shares are subject to all corporate actions applicable to all other ordinary shares.

**20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**

Surplus / (deficit) arising on revaluation of:

- Fixed assets	20.1	2,809,994	2,568,973
- Available-for-sale securities	20.2	230,343	(132,757)
- Investment in associate	20.3	(677,177)	-
		<u>2,363,160</u>	<u>2,436,216</u>

**20.1 Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets at January 1		3,154,726	3,192,550
Transferred to retained earnings in respect of incremental depreciation charged during the year		(24,696)	(24,586)
Related deferred tax liability in respect of incremental depreciation charged during the year		(13,298)	(13,238)
Surplus on revaluation of fixed assets recognized during the year		416,873	-
		<u>378,879</u>	<u>(37,824)</u>
		3,533,605	3,154,726
Related deferred tax liability on surplus as at January 1		585,753	712,315
Deferred tax liability booked / (reversed)		151,156	(113,324)
Related deferred tax liability in respect of incremental depreciation charged during the year		(13,298)	(13,238)
		<u>137,858</u>	<u>(126,562)</u>
		723,611	585,753
		<u>2,809,994</u>	<u>2,568,973</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>20.2 Surplus / (deficit) on revaluation of available-for-sale securities</b>			
<b>Deficit on:</b>			
Government securities		(22,282)	(299,938)
Term finance certificates - quoted		(26,428)	-
Sukuk bonds		(10,493)	-
<b>Surplus on:</b>			
Quoted shares / units / certificates		413,577	63,897
Term finance certificates - quoted		-	31,454
Sukuk bonds		-	342
		<u>354,374</u>	<u>(204,245)</u>
Related deferred tax asset / (liability)		<u>(124,031)</u>	<u>71,488</u>
		<u>230,343</u>	<u>(132,757)</u>
<b>20.3 Deficit on investment in associate</b>			
Warid Telecom (Private) Limited	20.3.1	(1,041,811)	-
Related deferred tax asset		364,634	-
		<u>(677,177)</u>	<u>-</u>
20.3.1 The State Bank of Pakistan vide its letter number BSD/BRP-2/185/2010 dated March 1, 2010 has allowed recognition of deficit arising on account of difference between the cost and break-up value per share of Warid Telecom (Private) Limited in the "Surplus / (deficit) on revaluation of assets" upto June 30, 2010. In case the recoverable amount of this investment is lower than its carrying value at June 30, 2010, the resulting impairment loss will be recognised in the profit and loss account.			
<b>21 CONTINGENCIES AND COMMITMENTS</b>			
<b>21.1 Direct credit substitutes</b>			
i) Government		2,559,129	2,338,371
ii) Banking companies & other financial institutions		2,385,416	154,910
iii) Others		996,298	556,490
		<u>5,940,843</u>	<u>3,049,771</u>
<b>21.2 Transaction-related contingent liabilities</b>			
i) Government		44,686,175	32,418,470
ii) Banking companies & other financial institutions		1,179,920	276,836
iii) Others		7,252,879	8,386,066
		<u>53,118,974</u>	<u>41,081,372</u>
<b>21.3 Trade-related contingent liabilities</b>			
Letters of credit		<u>35,113,200</u>	<u>35,452,659</u>
Acceptances		<u>3,468,109</u>	<u>3,747,507</u>
<b>21.4 Other contingencies</b>			
Claims against the Bank not acknowledged as debts		<u>3,117,529</u>	<u>959,371</u>
<b>21.5 Commitments in respect of forward lendings</b>			
Forward repurchase agreement lendings		-	-
Commitments to extend credit		<u>6,947,330</u>	<u>4,058,360</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>21.6 Commitments in respect of forward exchange contracts</b>			
Purchase		19,518,293	17,558,221
Sale		10,528,925	10,459,284
<b>21.7 Commitments for the acquisition of operating fixed assets</b>		367,514	513,288
<b>21.8 Commitments in respect of repo transactions</b>			
Repurchase		9,539,831	4,822,429
Resale		11,370,376	-
<b>21.9 Other Commitments</b>			
Donation		22,000	-
<b>22 DERIVATIVE INSTRUMENTS</b>			

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

- Forward Exchange Contracts
- Foreign Exchange Swaps

### Forward Exchange Contracts:

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

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

### Foreign Exchange Swaps:

A Foreign exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

## 23 MARK-UP / RETURN / INTEREST EARNED

a) On loans and advances to:			
i) customers		25,710,840	22,770,491
ii) financial institutions		307,850	371,098
b) On investments in:			
i) held for trading securities		2,023	3,925
ii) available for sale securities		5,033,071	2,943,901
iii) held to maturity securities		3,184,792	3,161,810
iv) associates and subsidiary		-	711
c) On deposits with financial institutions		730,346	1,406,104
d) On securities purchased under resale agreements		562,716	308,598
e) Profit earned on ijarah assets net of depreciation	23.2	29,674	-
		<u>35,561,312</u>	<u>30,966,638</u>

23.1 These include mark-up earned of Rs. 3,373.900 million (2008: Rs. 2,552.096 million) which pertains to the Bank's Islamic Banking Division.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>23.2 Profit earned on ijarah assets</b>			
Lease rentals earned		94,400	-
Depreciation for the year		(64,726)	-
		<u>29,674</u>	<u>-</u>
<b>24 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		21,385,092	18,310,713
Securities sold under repurchase agreements		639,790	745,671
Other short term borrowings		1,979,966	856,722
Term Finance Certificates		532,883	408,967
Brokerage and Commission		112,813	163,161
Others		3,636	9,121
		<u>24,654,180</u>	<u>20,494,355</u>
<b>25 GAIN ON SALE OF SECURITIES</b>			
Federal Government Securities			
- Market Treasury Bills		8,112	41
- Pakistan Investment Bonds		35,143	-
Shares			
- Listed		585,669	252,857
- Unlisted		-	171,363
Sukuk Bonds		60,000	-
		<u>688,924</u>	<u>424,261</u>
<b>26 OTHER INCOME</b>			
Gain on sale of property and equipment		43,521	77,997
Postage, telex service charges etc.		1,214,563	1,169,631
Provision no longer required written back		51,443	-
		<u>1,309,527</u>	<u>1,247,628</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Non executive director fee & allowances		14,354	14,560
Salaries, allowances, etc.		4,594,479	4,350,015
Charge for defined benefit plan	34.7	189,352	142,926
Contribution to defined contribution plan	35	156,832	146,620
Rent, taxes, insurance, electricity, etc.		1,664,623	1,254,212
Legal and professional charges		213,508	163,069
Communications		464,661	401,237
Repairs and maintenance		644,613	574,876
Stationery and printing		169,132	163,745
Advertisement and publicity		468,373	448,487
Donations	27.1	12,570	2,350
Auditors' remuneration	27.2	13,020	12,532
Depreciation	11.2	1,467,784	1,205,825
Amortization of intangible assets	11.5	64,999	105,751
Entertainment, vehicle running expenses, travelling and subscription		319,068	452,100
Others		466,139	367,485
		<u>10,923,507</u>	<u>9,805,790</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>27.1 Donations</b>		
Kashmir Education Foundation	-	1,500
Marie Adelaide Leprosy Center, Larkana	850	850
Publician Alumni Trust - Cantt Public School	720	-
Institute of Business Administration	11,000	-
	<u>12,570</u>	<u>2,350</u>
None of the directors or their spouses had any interest in the donees.		
<b>27.2 Auditors' remuneration</b>		
Audit fee	3,620	3,620
Half yearly review	800	750
Special certifications and sundry advisory services	2,442	3,585
Out-of-pocket expenses	1,783	1,783
	<u>8,645</u>	<u>9,738</u>
Fee for audit of foreign branches	4,375	2,794
	<u>13,020</u>	<u>12,532</u>
<b>28 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	16,194	16,137
Workers Welfare Fund	63,260	106,621
	<u>79,454</u>	<u>122,758</u>

28.1 The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the Bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

**29 TAXATION**

**For the year**

Current	1,066,301	1,730,051
Deferred	(767,346)	(1,151,019)

**For prior years**

Current	(936,365)	(221,797)
Deferred	756,691	136,184
	<u>(179,674)</u>	<u>(85,613)</u>
	<u>119,281</u>	<u>493,419</u>

The income tax assessments of the Bank have been finalised upto and including tax year 2009. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh.

During the year, the CIT (Appeals) has decided the issue regarding allocation of expenses to exempt capital gain and dividend income for the tax years 2004 to 2008 in favour of the Bank. As a result of this decision, the Bank has written back an amount of Rs. 230 million which represents provision made in prior years in respect of this matter. The Income Tax Department, being aggrieved with the order of CIT (Appeals), has filed an appeal before the ITAT against the order which is currently pending for adjudication. However, the management is confident that the decision will ultimately be made in favour of the Bank and that the Bank will not be exposed to any loss in this respect.

Other issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowance relating to profit and loss expenses. However, adequate provision has been made in the financial statements in respect of these matters.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>29.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	1,016,316	1,794,720
Tax at the applicable rate of 35% (2008: 35%)	355,711	628,152
Effect of:		
- income chargeable to tax at reduced rates	(62,352)	(108,718)
- permanent differences	4,400	5,648
- tax charge pertaining to overseas branches	2,542	15,664
- tax for prior years	(179,674)	(85,613)
- others	(1,346)	38,286
Tax expense for the year	119,281	493,419
<b>30 BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit after taxation for the year	897,035	1,301,301
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,267,533	923,552
	(Rupees)	
Basic / Diluted earnings per share	0.71	1.41
<b>31 CASH AND CASH EQUIVALENTS</b>	(Rupees in '000)	
Cash and balances with treasury banks	35,056,012	32,687,335
Balances with other banks	22,722,639	21,581,043
Call lendings	3,710,396	3,315,500
	61,489,047	57,583,878

**32 CREDIT RATING**

PACRA has assigned a long term credit rating of AA [Double A] and a short-term credit rating of A1+ (A one plus) to the Bank as at June 2009 (2008: AA [Double A]) for long term and A1+ [A one plus] for short term).

	2009	2008
	(Number of employees)	
<b>33 STAFF STRENGTH</b>		
Permanent	6,579	6,336
Temporary / On contractual basis	883	1,248
Bank's own staff strength at the end of the year	7,462	7,584
Outsourced	2,089	2,085
Total staff strength	9,551	9,669

**34 DEFINED BENEFIT PLAN**
**34.1 Principal actuarial assumptions**

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2009. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2009	2008
Discount factor used	14.00%	15.00%
Expected rate of return on plan assets	14.00%	15.00%
Expected rate of salary increase	14.00%	15.00%
Normal retirement age	60 Years	60 Years

(Rupees in '000)

**34.2 Reconciliation of payable to defined benefit plan**

Present value of defined benefit obligations	802,966	737,369
Fair value of plan assets	(696,403)	(468,272)
Net actuarial losses not recognized	(106,563)	(267,682)
Past service cost not yet recognized	-	(1,415)
	<u>-</u>	<u>-</u>

**34.3 Movement in defined benefit obligation**

Obligations at the beginning of the year	737,369	546,346
Current service cost	115,249	102,719
Interest cost	110,605	54,635
Benefits paid	(27,527)	(34,534)
Actuarial (gain) / loss on obligation	(132,730)	68,203
Obligations at the end of the year	<u>802,966</u>	<u>737,369</u>

**34.4 Movement in fair value of plan assets**

Fair value at the beginning of the year	468,272	352,811
Expected return on plan assets	70,241	35,281
Contributions	189,352	142,926
Benefits paid	(27,527)	(34,534)
Actuarial gain / (loss) on plan assets	(3,935)	(28,212)
Fair value at the end of the year	<u>696,403</u>	<u>468,272</u>

**34.5 Plan assets consist of the following:**

Defence Savings Certificates	-	50,000
Ordinary shares of Bank Alfalah Limited	27,000	-
Term Finance Certificates	72,574	157,144
Term Deposit Receipts	278,853	-
Pakistan Investment Bonds	18,844	18,893
Alfalah GHP Value Fund	40,266	27,693
Alfalah GHP Alpha Fund	26,945	24,795
Alfalah GHP Principal Protected Fund II	24,385	-
Cash and bank	207,536	189,747
	<u>696,403</u>	<u>468,272</u>

**34.6 Movement in payable to defined benefit plan**

Opening balance	-	-
Charge for the year	189,352	142,926
Bank's contribution to fund made during the year	(189,352)	(142,926)
Closing balance	<u>-</u>	<u>-</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>34.7 Charge for defined benefit plan</b>		
Current service cost	115,249	102,719
Interest cost	110,605	54,635
Expected return on plan assets	(70,241)	(35,281)
Actuarial losses	32,324	19,438
Past service cost	1,415	1,415
	<u>189,352</u>	<u>142,926</u>
<b>34.8 Actual return on plan assets</b>	<u>66,306</u>	<u>7,069</u>

**34.9 Historical information**

	2009	2008	2007	2006	2005
	----- (Rupees in '000) -----				
Defined benefit obligation	802,966	737,369	546,346	366,308	261,191
Fair value of plan assets	696,403	468,272	352,811	250,757	183,665
Surplus / (deficit)	<u>(106,563)</u>	<u>(269,097)</u>	<u>(193,535)</u>	<u>(115,551)</u>	<u>(77,526)</u>
Experience adjustments on plan liabilities	<u>132,730</u>	<u>(68,203)</u>	<u>(87,394)</u>	<u>(45,151)</u>	<u>(29,548)</u>
Experience adjustments on plan assets	<u>(3,935)</u>	<u>(28,212)</u>	<u>(2,673)</u>	<u>(7)</u>	<u>174</u>

**35 DEFINED CONTRIBUTION PLAN**

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contributes @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 156.832 million (2008: Rs. 146.620 million) in respect of this fund.

**36 COMPENSATION OF DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----					
Fee	-	-	14,354	14,560	-	-
Bonus	1,287	7,517	-	-	128,437	266,767
Managerial Remuneration	8,140	8,140	-	-	940,387	997,356
Post employment benefits	1,286	1,286	-	-	105,915	102,127
Rent and house maintenance	3,088	3,088	-	-	293,317	300,774
Utilities	772	772	-	-	68,948	68,363
	<u>14,573</u>	<u>20,803</u>	<u>14,354</u>	<u>14,560</u>	<u>1,537,004</u>	<u>1,735,387</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>703</u>	<u>704</u>

The Chief Executive and certain Executives have been provided with the free use of cars and household equipments as per Bank's policy.

**37 FAIR VALUE OF FINANCIAL INSTRUMENTS**

37.1 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.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held-to-maturity'. These securities are being carried at amortised cost in order to comply with the requirements of BSD Circular No.14 dated September 24, 2004.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 41 to these financial statements.

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

	2009		2008	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
<b>37.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	<u>19,518,293</u>	<u>19,474,475</u>	<u>17,558,221</u>	<u>17,256,043</u>
Forward sale of foreign exchange	<u>10,528,925</u>	<u>10,540,457</u>	<u>10,459,284</u>	<u>10,337,951</u>

### 38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Total
	-----Rupees in '000-----			
<b>2009</b>				
Total income	8,912,879	5,995,017	25,835,669	40,743,565
Total expenses	7,975,616	5,523,135	26,228,498	39,727,249
Net income	937,263	471,882	(392,829)	1,016,316
Segment assets	17,610,187	26,918,726	344,541,142	389,070,055
Segment non-performing loans	-	3,165,731	13,019,985	16,185,716
Segment provision required against loans and advances	-	2,313,603	7,047,127	9,360,730
Segment liabilities	19,027,799	28,456,584	319,452,252	366,936,635
Segment return on assets (ROA) (%)	10.27%	18.05%	12.28%	
Segment cost of funds (%)	9.49%	16.63%	10.42%	
<b>2008</b>				
Total income	8,387,737	7,422,908	19,978,917	35,789,562
Total expenses	8,585,758	6,521,790	18,887,294	33,994,842
Net income	(198,021)	901,118	1,091,623	1,794,720
Segment assets	7,988,961	35,298,716	305,703,087	348,990,764
Segment non-performing loans	-	2,351,609	6,582,664	8,934,273
Segment provision required against loans and advances	-	2,594,937	3,545,746	6,140,683
Segment liabilities	6,887,193	37,108,899	287,949,933	331,946,025
Segment return on assets (ROA) (%)	11.50%	18.46%	12.74%	
Segment cost of funds (%)	10.64%	16.22%	10.76%	

### 39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	2009						Total
	Directors	Key Management Personnel	Group Companies	Associates	Subsidiary	Strategic Investments	
	(Rupees in '000)						
<b>39.1 Deposits</b>							
Balance at the beginning of the year	63,344	70,832	2,195,375	5,167,246	3,094	18	7,499,909
Placements during the year	271,444	454,725	23,943,535	42,938,620	898,067	-	68,506,391
Withdrawals during the year	(327,197)	(492,954)	(25,385,046)	(46,311,136)	(884,798)	-	(73,401,131)
Balance at end of the year	7,591	32,603	753,864	1,794,730	16,363	18	2,605,169
<b>39.2 Financing</b>							
Balance at the beginning of the year	8,931	127,054	-	1,000,424	218,761	-	1,355,170
Disbursements during the year	361	10,380	-	1,768,474	5,853,280	-	7,632,495
Repayments during the year	(1,337)	(46,870)	-	(999,886)	(5,470,965)	-	(6,519,058)
Balance at end of the year	7,955	90,564	-	1,769,012	601,076	-	2,468,607
<b>39.3 Investments</b>							
Balance at the beginning of the year	-	-	265,135	5,883,753	76,000	120,000	6,344,888
Investment during the year	-	-	85,104	-	-	-	85,104
Withdrawals during the year	-	-	(97,078)	-	-	-	(97,078)
Balance at end of the year	-	-	253,161	5,883,753	76,000	120,000	6,332,914
<b>39.4 Call borrowings / Repo</b>							
Balance at the beginning of the year	-	-	200,000	-	-	-	200,000
Placements during the year	-	-	22,305,735	-	-	-	22,305,735
Withdrawals during the year	-	-	(20,614,809)	-	-	-	(20,614,809)
Balance at end of the year	-	-	1,890,926	-	-	-	1,890,926
<b>39.5 Call lendings / Reverse Repo</b>							
Balance at the beginning of the year	-	-	100,000	-	-	-	100,000
Placements during the year	-	-	35,260,857	-	-	-	35,260,857
Withdrawals during the year	-	-	(35,260,857)	-	-	-	(35,260,857)
Balance at end of the year	-	-	100,000	-	-	-	100,000

	2009	2008
	(Rupees in '000)	
<b>39.6 Financing</b>		
Running finance		
- Subsidiary company	-	216,598
- Other related parties	1,768,474	998,790
Long term loans		
- Subsidiary company	601,076	2,163
- Other related parties	99,057	137,619

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>39.7 Contingencies and commitments</b>		
Letter of credit and acceptance issued	25,609	-
Guarantees issued	155,800	6,200
<b>39.8 Customer accounts</b>		
PLS accounts		
- Other related parties	1,937,903	1,596,477
Current accounts		
- Subsidiary company	16,363	3,094
- Other related parties	118,361	3,370,223
Fixed deposit accounts		
- Other related parties	532,542	2,530,115
<b>39.9 Bank Balances with other banks</b>		
- Balance with UBL	702,703	864,044
<b>39.10 With subsidiary companies</b>		
Brokerage expense	1,312	1,573
Provision against financing to subsidiary	580,058	-
Mark-up income	32,725	15,297
Rent income	3,545	3,300
Finance lease income	174	366
Lease rentals	1,261	2,887
Mark-up receivable on running finance	21,597	7,114
Mark up Receivable on Term Finance	2,213	-
Balance held in deposit account	16,363	3,094
Security deposit	344	436
Bank charges recovered	142	129
Provision made during the year in respect of investment in subsidiary company	39,557	36,443
<b>39.11 With associated companies</b>		
Insurance premium paid to Alfalah Insurance Company Limited	182,035	126,860
Mark-up income on advances	207,751	264,012
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited	32,215	28,753
Payment to Wateen Telecom Limited for purchase of equipment	343,675	43,813
<b>39.12 With other Related Parties</b>		
Capital Gain on redemption of units of USAF	824	-
Capital gain on sale of shares of UBL	6,719	5,861
Capital gain on sale of shares of UMMF	-	239
Contribution to Employees provident fund	156,832	146,620
Payment for books of Ikram Majeed Sehgal	2,755	-
<b>39.13 The Key Management Personnel / Directors compensation are as follows:</b>		
Salaries and Allowances	540,877	576,785

In addition, the Chief Executive and certain Executives are provided with Bank maintained car.

## 40 CAPITAL ADEQUACY

### 40.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

#### Goals of managing capital

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

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Bank against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value addition for the shareholders and other stakeholders

#### Bank's regulatory capital analysed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes subordinated debt subject to a maximum of 50% of total Tier I capital and fulfilment of specified criteria laid down by the State Bank of Pakistan, general provisions for loan losses (up to a maximum of 1.25 % of total risk weighted assets), reserves on the revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45 percent), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term subordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The Bank currently does not have any Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, gold, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfil other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view. There has been no material change in the Bank's management of capital during the period.

40.2 Capital adequacy ratio as at December 31, 2009

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using Basel II standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below.

	Note	2009 (Rupees in '000)	2008
<b>Regulatory capital base</b>			
<b>Tier I capital</b>			
Fully paid-up capital		13,491,563	7,995,000
Reserves (excluding foreign exchange translation reserves)		2,767,442	2,588,035
Unappropriated / unremitted profits (net of losses)		2,690,728	3,447,467
Less: Book value of intangibles		(455,412)	(397,087)
Shortfall in provisions required against classified assets irrespective of any relaxation allowed		(1,041,811)	-
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(99,741)	(119,520)
<b>Total Tier I Capital</b>		<b>17,352,769</b>	<b>13,513,895</b>
<b>Tier II Capital</b>			
Subordinated debt (upto 50% of total Tier 1 capital)		6,114,552	1,807,319
General provisions for loan losses subject to 1.25% of total risk weighted assets		763,066	1,085,085
Revaluation reserve (upto 45%)		1,749,591	1,313,562
Foreign exchange translation reserves		820,527	578,021
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(99,741)	(119,520)
<b>Total Tier II capital</b>		<b>9,347,995</b>	<b>4,664,467</b>
<b>Eligible Tier III capital</b>		<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	(a)	<b>26,700,764</b>	<b>18,178,362</b>

Risk-weighted exposures

Capital requirements		Risk Weighted Assets	
2009	2008	2009	2008
-----Rupees in '000-----			

Credit risk

Portfolios subject to standardised approach  
(comprehensive approach for CRM)

Claims on:

Sovereigns other than PKR claims	950,190	477,624	9,501,899	5,970,299
Public Sector Entities (PSEs)	294,973	406,154	2,949,732	5,076,927
Banks	1,402,557	847,685	14,025,570	10,596,057
Corporates	8,191,058	8,067,985	81,910,578	100,849,813
Retail portfolio	3,439,497	3,369,590	34,394,962	42,119,881
Residential mortgage finance	388,011	355,580	3,880,110	4,444,747
Listed equities and regulatory capital instruments issued by others banks	185,572	101,053	1,855,715	1,263,161
Unlisted equity investments	620,692	625,687	6,206,924	7,821,089
Fixed Assets	1,430,419	1,070,096	14,304,189	13,376,206
Other Assets	810,182	233,000	8,101,820	2,912,502
Past Due Exposures	854,311	368,381	8,543,115	4,604,768

	Capital requirements		Risk Weighted Assets	
	2009	2008	2009	2008
-----Rupees in '000-----				
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	11,312	14,475	141,404	180,938
Equity position risk	41,006	1,802	512,578	22,525
Foreign exchange risk	6,675	263,254	83,441	3,290,675
<b>Operational risk</b>	<b>2,227,088</b>	<b>1,903,330</b>	<b>27,838,597</b>	<b>23,791,622</b>
<b>TOTAL</b>	<b>(b) 20,853,543</b>	<b>18,105,696</b>	<b>214,250,634</b>	<b>226,321,210</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held	(a)	<u>26,700,764</u>	<u>18,178,362</u>	
Total risk weighted assets	(b)	<u>214,250,634</u>	<u>226,321,210</u>	
Capital Adequacy ratio	[ a / b * 100 ]	<u>12.46%</u>	<u>8.03%</u>	

40.3 Types of exposures and ECALs used

Exposures	JCR-VIS	PACRA	Moody's	S&P & Fitch	CRAB & CRISL ^
Sovereigns other than PKR claims	-	-	✓	-	-
PSEs	-	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Corporates	✓	✓	-	-	✓

^ The State Bank of Pakistan through letter no. BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by these agencies. The Bank uses these ECALs to rate its exposures denominated in Bangladeshi currency on certain corporates and banks incorporated in Bangladesh.

Credit exposures subject to standardised approach - on balance sheet exposures

Exposures	Rating category	2009			2008		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	3,311,764	-	3,311,764	2,993,391	-	2,993,391
PSEs	1	10,462,180	5,969,627	4,492,553	5,703,429	4,368,000	1,335,429
Banks	1,2,3	5,918,641	1,984,180	3,934,461	5,014,213	475,781	4,538,432
Banks	4,5	685,284	-	685,284	-	-	-
Banks - FCY claims less than three months	1,2,3	11,281,363	-	11,281,363	10,717,116	-	10,717,116
Banks - PKR claims less than three months	4,5	693,778	-	693,778	5,121,390	-	5,121,390
		15,853,480	10,062,431	5,791,049	10,093,130	4,789,224	5,303,906
Corporates	1	12,503,165	207,645	12,295,520	7,902,703	171,340	7,731,363
Corporates	2	12,397,952	496,010	11,901,942	1,370,723	223,735	1,146,988
Corporates	3,4	2,321,136	-	2,321,136	-	-	-
Retail portfolio		47,093,278	5,145,975	41,947,303	56,675,751	4,968,012	51,707,739
Unrated		128,121,438	49,018,442	79,102,996	131,466,795	30,174,462	101,292,333
<b>Total</b>		<b>250,643,459</b>	<b>72,884,310</b>	<b>177,759,149</b>	<b>237,058,641</b>	<b>45,170,554</b>	<b>191,888,087</b>

\*CRM= Credit Risk Mitigation



#### 41 RISK MANAGEMENT

The Bank has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk and operational risk as evidenced by its Board approved "Risk Management Policy" and "Risk Management & Internal Control" manual.

Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called 'Board Risk Management Committee' (BRMC) oversees the overall risk of the Bank.
- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.
- As part of its mandate the Central Management Committee (CMC) is entrusted with overseeing the operational risk of the Bank.
- The Bank has established a Treasury Middle Office to effectively monitor day-to-day trading activities of the dealing room. The middle-office directly reports to Head of RMD.
- An independent risk review function exists at the Bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- After conducting the Basel II gap analysis, the Bank has extensively pursued the implementation of Basel II with the help of external consultants and has complied with all the Pillar -I requirements of Basel II accord. Moreover, in light of SBP circulars and guidelines, significant progress has also been made in respect of advanced approaches of Basel II. Implementation of Pillar 2 i.e. ICAAP has also been initiated.
- As a policy the reporting line of the risk management function has been kept completely independent of the business divisions.
- The Bank has acquired Temenos T24 banking system as its core banking solution and its Risk Management system called T-Risk will be used for managing Credit, Market and Operational risks.

##### 41.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The Bank's focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to risk management function.

The Bank, as per State Bank of Pakistan Guidelines, has migrated to Basel II as on January 01, 2008 with the standardized approach. For Credit Risk, procedural manual has been developed, which also incorporates a comprehensive system of cross-checks for data accuracy. Simultaneously, processes have been set for fine-tuning systems & procedures, Information Technology capabilities and Risk Governance Structure to meet the requirements of the Advanced Approaches as well.

At Bank Alfalah Limited, the management has laid down the road-map to move towards the implementation of Basel-II Advanced Approaches, which shall provide a sophisticated platform for prudent risk management practices. In this respect, the Bank is considering appointment of a consultant firm to assist it with Basel II Advanced Approaches parameters.

The Credit Risk Management comprises of the Credit Risk Department that looks after all the aspects of credit risk and conducts portfolio analysis and stress testing on a regular basis. The Head of Credit Risk Department reports directly to the General Manager (GM) - Risk Management Division.

The Bank has built-up and maintained a sound loan portfolio in terms of well-defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of discreet prudential practices the Risk Management Division conducts pre-fact validation of major cases from integrated risk point of view. The Bank manages its portfolio of loan assets with a view to limit concentrations in term of risk quality, geography, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted frequently.

A sophisticated Internal Credit Rating System has been developed by the Bank, which is capable of quantifying counter-party risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party and generates an internal rating vis-à-vis anticipated customer behaviour. The system has been statistically tested, validated and checked for compliance with the State Bank of Pakistan's guidelines for Internal Credit Rating. Moreover, the system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

Credit Administration Centre (CAC) is working towards ensuring that all the policies and procedures are implemented and followed accordingly. No loan / advances can be booked without proper approval of CAC.

Special attention is paid by the management in respect of non-performing loans. Special Asset Management (SAM) Department (under Credit & Collections Group) is functional and handles this responsibility in compliance with the regulatory requirements. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to BRMC.

A "Watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the significant matters to BRMC.

Proactive credit-risk management practices in the form of studies, research work, Internal Rating System, Integrated Bank-wide Risk Management and Internal Control Framework, adherence to Basel II accord, portfolio monitoring are only some of the prudent measures the bank is engaged in for mitigating risk exposures. The current focus is on augmenting the Bank's abilities to quantify risk in a consistent, reliable and valid fashion which will ensure advanced level of sophistication in the Credit Risk measurement and management in the years ahead.

#### 41.1.1 Credit Risk - General Disclosures Basel II Specific

Bank Alfalah Limited is using The Standardized Approach (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA Banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel II Standardized Approach is in place and firmly adhered.

#### 41.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel II specific

##### 41.1.2.1 External ratings

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter no. BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by CRAB and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporates and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel II framework. For Exposures with a contractual maturity of less than or equal to one year, Short-term Rating given by approved Rating Agencies is used, whereas for Long-term exposure with maturity of greater than one year, Long-term Rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

### 41.1.3 Disclosures with respect to Credit Risk Mitigation for Standardized and IRB Approaches-Basel II Specific

#### 41.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

#### 41.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

#### 41.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors are also obtained by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property / automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product notes which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

#### 41.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes, the Bank considers all types of financial collaterals that are eligible under SBP Basel II accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel II requirements, the Bank recognizes only eligible collaterals as mentioned in the SBP Basel II accord.

#### 41.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers. Moreover, in order to restrict the industry concentration risk, BAL's annual Credit Plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the newly developed Internal Rating System allows the Bank to monitor risk rating concentration of counterparties against different grades / scores ranging from 1 – 12 (1 being the best and 10 – 12 for defaulters).

41.1.4 Segmental information

41.1.4.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	13,784,392	6.98%	3,016,833	0.93%	295,134	0.31%
Automobile & Transportation						
Equipment	3,048,165	1.54%	3,116,368	0.96%	1,879,715	1.99%
Chemical and Pharmaceuticals	5,916,590	3.00%	1,979,808	0.61%	3,049,907	3.23%
Cement	3,005,371	1.52%	381,809	0.12%	233,207	0.25%
Communication	5,263,792	2.67%	14,687,449	4.52%	966,761	1.02%
Electronics and Electrical						
Appliances	1,627,700	0.82%	1,326,591	0.41%	1,164,636	1.24%
Educational Institutes	1,024,340	0.52%	5,573,338	1.72%	148,482	0.16%
Financial	4,066,729	2.06%	13,714,033	4.22%	27,197,338	28.84%
Fertilizers	4,846,607	2.46%	6,212,681	1.91%	1,877,190	1.99%
Food & Allied Products	4,176,274	2.12%	2,406,905	0.74%	856,673	0.91%
Glass & Ceramics	200,914	0.10%	280,856	0.09%	79,266	0.08%
Ghee & Edible Oil	1,768,646	0.90%	1,155,561	0.36%	1,292,817	1.37%
Housing Societies / Trusts	1,068,109	0.54%	10,278,068	3.16%	2,453	0.00%
Insurance	199,153	0.10%	1,197,090	0.37%	293	0.00%
Import & Export	2,080,173	1.05%	4,548,649	1.40%	904,338	0.96%
Iron / Steel	4,951,018	2.51%	4,348,860	1.34%	2,260,930	2.40%
Oil & Gas	15,442,442	7.82%	20,397,955	6.28%	8,892,064	9.43%
Paper & Board	1,655,730	0.84%	1,216,766	0.37%	385,129	0.41%
Production and Transmission						
of Energy	15,618,524	7.91%	8,035,291	2.47%	7,629,824	8.09%
Real Estate / Construction	5,650,696	2.86%	11,622,428	3.58%	2,412,330	2.56%
Retail / Wholesale Trade	7,744,951	3.92%	10,737,350	3.31%	1,154,195	1.22%
Rice Processing and						
Trading/ Wheat	4,919,392	2.49%	1,855,834	0.57%	121,200	0.13%
Sugar	3,080,820	1.56%	727,947	0.22%	88,354	0.09%
Shoes and Leather garments	792,289	0.40%	596,142	0.18%	121,706	0.13%
Sports Goods	313,571	0.16%	346,940	0.11%	10,022	0.01%
Surgical Goods	268,294	0.14%	602,722	0.19%	148,547	0.16%
Textile Spinning	12,770,573	6.47%	1,214,570	0.37%	558,972	0.59%
Textile Weaving	2,682,853	1.36%	2,296,259	0.71%	306,392	0.33%
Textile Composite	12,848,017	6.51%	1,210,564	0.37%	1,926,650	2.04%
Welfare Institutions	448,348	0.23%	6,714,186	2.07%	4,222	0.00%
Individuals	35,800,495	18.14%	90,258,288	27.79%	2,450,868	2.60%
Others	20,338,200	10.30%	92,701,611	28.55%	25,899,792	27.46%
	<u>197,403,168</u>	<u>100%</u>	<u>324,759,752</u>	<u>100%</u>	<u>94,319,407</u>	<u>100%</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2008					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	4,206,088	2.13%	2,563,561	0.85%	53,299	0.06%
Automobile & Transportation						
Equipment	3,928,853	1.98%	2,713,531	0.90%	1,566,304	1.88%
Chemical and Pharmaceuticals	3,916,817	1.98%	2,853,834	0.95%	1,976,536	2.37%
Cement	3,371,083	1.70%	297,898	0.10%	636,118	0.76%
Communication	4,240,227	2.14%	12,442,869	4.14%	167,923	0.20%
Electronics and Electrical						
Appliances	3,750,567	1.89%	2,477,280	0.82%	1,776,098	2.13%
Educational Institutes	1,037,093	0.52%	6,127,934	2.04%	344,497	0.41%
Financial	3,408,746	1.72%	12,793,512	4.25%	842,809	1.01%
Fertilizers	4,570,015	2.31%	9,367,200	3.11%	7,226,878	8.67%
Food & Allied Products	3,769,661	1.90%	2,111,193	0.70%	505,223	0.61%
Glass & Ceramics	292,493	0.15%	191,419	0.06%	107,752	0.13%
Ghee & Edible Oil	3,679,929	1.86%	1,207,931	0.40%	736,687	0.88%
Housing Societies / Trusts	2,422,471	1.22%	8,251,607	2.74%	15,415	0.02%
Insurance	506,683	0.26%	3,229,117	1.07%	46,215	0.06%
Import & Export	3,742,105	1.89%	5,857,943	1.95%	767,601	0.92%
Iron / Steel	4,646,125	2.35%	3,419,119	1.14%	8,616,878	10.34%
Oil & Gas	10,720,082	5.42%	14,535,023	4.83%	2,737,495	3.29%
Paper & Board	2,127,894	1.08%	1,724,534	0.57%	230,111	0.28%
Production and Transmission						
of Energy	13,862,069	7.01%	7,660,547	2.55%	6,732,032	8.08%
Real Estate / Construction	7,770,992	3.93%	14,113,458	4.69%	2,675,850	3.21%
Retail / Wholesale Trade	7,892,776	3.99%	5,971,557	1.99%	1,164,772	1.40%
Rice Processing and						
Trading/ Wheat	5,404,082	2.73%	1,204,857	0.40%	137,889	0.17%
Sugar	2,871,980	1.45%	740,514	0.25%	56,555	0.07%
Shoes and Leather garments	796,735	0.40%	634,057	0.21%	172,659	0.21%
Sports Goods	394,082	0.20%	479,233	0.16%	33,123	0.04%
Surgical Goods	240,001	0.12%	198,176	0.07%	314,408	0.38%
Textile Spinning	10,871,339	5.49%	1,661,729	0.55%	495,863	0.60%
Textile Weaving	3,754,668	1.90%	2,044,826	0.68%	559,490	0.67%
Textile Composite	12,722,432	6.43%	895,437	0.30%	793,739	0.95%
Welfare Institutions	741,944	0.37%	5,558,013	1.85%	939,694	1.13%
Individuals	44,005,588	22.23%	96,399,259	32.05%	1,033,125	1.24%
Others	22,266,051	11.25%	71,005,690	23.63%	39,868,271	47.83%
	<u>197,931,671</u>	<u>100%</u>	<u>300,732,858</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>

\* contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

## 41.1.4.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	32,019,526	16%	56,469,276	17%	17,192,831	18%
Private	165,383,642	84%	268,290,476	83%	77,126,576	82%
	<u>197,403,168</u>	<u>100%</u>	<u>324,759,752</u>	<u>100%</u>	<u>94,319,407</u>	<u>100%</u>
	2008					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	18,187,635	9%	51,769,990	17%	15,788,476	19%
Private	179,744,036	91%	248,962,868	83%	67,542,833	81%
	<u>197,931,671</u>	<u>100%</u>	<u>300,732,858</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>

## 41.1.4.3 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-----			
Agriculture, forestry, hunting and fishing	426,248	90,436	337,837	45,933
Textile	2,620,181	1,762,715	2,059,012	1,222,947
Chemical and pharmaceuticals	59,815	47,215	48,750	31,583
Cement	1,404	-	3,421	335
Automobile and transportation equipment	73,402	28,642	98,414	48,952
Wholesale and retail trade	795,499	271,948	635,878	282,684
Individuals	3,490,595	2,408,363	2,488,537	1,828,058
Others	8,718,572	3,988,345	3,262,424	1,595,106
	<u>16,185,716</u>	<u>8,597,664</u>	<u>8,934,273</u>	<u>5,055,598</u>

## 41.1.4.4 Details of non-performing advances and specific provisions by sector

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	16,185,716	8,597,664	8,934,273	5,055,598
	<u>16,185,716</u>	<u>8,597,664</u>	<u>8,934,273</u>	<u>5,055,598</u>



41.1.4.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
-----Rupees in '000-----				
Pakistan	930,964	360,267,294	21,620,738	89,038,742
Asia Pacific (including South Asia)	(45,974)	23,126,154	417,776	5,280,665
Middle East	131,326	5,676,607	94,906	-
	<u>1,016,316</u>	<u>389,070,055</u>	<u>22,133,420</u>	<u>94,319,407</u>

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
-----Rupees in '000-----				
Pakistan	1,581,078	318,124,273	16,718,335	75,763,964
Asia Pacific (including South Asia)	226,219	26,175,775	380,228	7,567,345
Middle East	(12,577)	4,690,716	(53,824)	-
	<u>1,794,720</u>	<u>348,990,764</u>	<u>17,044,739</u>	<u>83,331,309</u>

\* contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

41.2 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market prices. Market risk mainly arises from trading activities undertaken by the Bank's treasury. It also includes investments and structural positions in the banking book of the Bank. To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically.

The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Currently, Bank calculates 'Value at Risk (VaR)' on a daily basis by using 'Historical Method' taking into consideration the data of over 2 years. Moreover, Bank also carries out stress testing on a daily basis by applying parallel shocks of changes in market yield on all the categories of T-Bills and Government securities. Going forward the Bank is preparing to use more sophisticated systems and models and is currently evaluating use of various tools to enhance its capability to successfully meet the requirements of the internal models approach of Basel II.

41.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

Off-Balance sheet financial instruments are contracts which are the resultant outcome of the import and export transactions. Moreover, counterparties enter into swaps, forward transactions in inter-bank market on behalf of customers to cover-up their positions against stipulated risks. The buy and sell transactions are matched in view of their maturities in the different predefined time buckets.

The currency risk is regulated and monitored against the regulatory / statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:



2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	369,709,700	333,526,026	(14,100,373)	22,083,301
United States Dollar	17,199,399	26,215,597	8,983,282	(32,916)
Great Britain Pound	749,894	3,441,801	2,708,124	16,217
Japanese Yen	97,623	138	(91,230)	6,255
Euro	1,225,061	3,743,332	2,520,470	2,199
Other currencies	88,378	9,741	(20,273)	58,364
Total foreign currency exposure	19,360,355	33,410,609	14,100,373	50,119
Total currency exposure	389,070,055	366,936,635	-	22,133,420

2008				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	305,476,953	283,626,996	(8,057,951)	13,792,006
United States Dollar	37,693,693	40,559,362	6,069,456	3,203,787
Great Britain Pound	1,660,823	3,092,236	1,430,635	(778)
Japanese Yen	225,998	22,342	(199,346)	4,310
Euro	3,761,489	4,555,854	786,136	(8,229)
Other currencies	171,808	89,235	(28,930)	53,643
Total foreign currency exposure	43,513,811	48,319,029	8,057,951	3,252,733
Total currency exposure	348,990,764	331,946,025	-	17,044,739

#### 41.2.2 Equity position risk

Equity position risk in the trading books arises due to changes in prices of individual stocks or levels of equity indices. The Bank's equity trading book comprises of Equity Portfolio Unit's classified as Held for Trading (HFT). The objective of Equity Portfolio Unit's classified as HFT portfolio is to take advantages of short-term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. Special emphasis is given to the details of risks / mitigants, limits / controls for equity trading portfolios of Equity Portfolio Unit.

#### 41.3 Interest rate risk

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to the changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Management Committee (ALCO) monitors the re-pricing of the assets and liabilities on a regular basis. The Bank's interest rate risk is limited since the majority of customer's deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles.

## 41.3.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2009

Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk						Non-interest bearing financial instruments			
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years		Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
	35,056,012	7,370,861	2,212,878	3,705,778	446,484	-	-	-	-	-	27,685,151
Cash and balances with treasury banks	9,455,488	2,212,878	-	-	-	-	-	-	-	-	6,902,011
Balances with other banks	14,947,435	12,270,921	2,667,734	8,780	-	-	-	-	-	-	-
Lending to financial institutions	99,159,957	2,287,827	36,126,465	21,498,460	2,768,782	2,005,739	2,633,800	5,347,955	4,886,413	-	-
Investments	188,042,438	25,792,919	21,030,142	26,083,264	61,676,415	11,261,343	16,840,165	4,906,557	12,395,513	-	-
Advances	12,305,981	-	-	-	-	-	-	-	-	-	12,305,981
Other assets	372,234,462	57,178,016	62,037,219	51,296,282	83,727,415	14,030,125	10,067,859	10,254,512	12,395,513	-	51,779,556
<b>Liabilities</b>											
	3,766,144	-	-	-	-	-	-	-	-	-	3,766,144
Bills payable	20,653,921	10,818,537	479,087	8,653,611	-	-	-	-	-	-	1,157,206
Borrowings	324,750,752	29,394,494	46,052,902	79,317,378	121,545,741	1,583,546	2,759,890	156,692	546,380	-	93,415,109
Deposits and other accounts	7,570,181	-	-	7,570,181	-	-	-	-	-	-	-
Sub-ordinated loans	5,788,395	-	-	-	-	-	-	-	-	-	5,788,395
Other liabilities	362,539,393	40,753,031	46,531,989	45,540,170	121,545,741	1,583,546	2,759,890	156,692	546,380	-	103,126,954
<b>On-balance sheet gap</b>	9,696,069	16,424,985	15,505,230	5,756,112	(37,818,326)	12,446,579	7,307,969	19,317,273	9,708,132	12,395,513	(51,347,398)
<b>Off-balance sheet financial instruments</b>											
<b>Forward exchange contracts - purchase</b>											
	19,518,293	13,795,751	5,673,475	-	49,067	-	-	-	-	-	-
Forward exchange contracts - sale	10,328,925	6,884,741	1,825,177	-	1,819,007	-	-	-	-	-	-
Repo transactions resale	11,370,376	9,995,621	1,374,755	-	4,009,373	-	-	-	-	-	-
Repo transactions repurchase	9,539,831	35,058	-	-	2,264,124	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	10,819,913	16,871,573	1,991,777	(5,828,380)	(2,215,057)	-	-	-	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>	33,296,558	17,497,007	(72,268)	(40,033,383)	12,446,579	7,307,969	30,442,462	49,759,735	59,467,867	71,863,380	-
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	33,296,558	50,793,565	50,721,297	10,687,914	23,134,493	30,442,462	49,759,735	59,467,867	71,863,380	-	-

2008

Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk						Non-interest bearing financial instruments			
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years		Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
	32,687,335	5,845,936	172,069	597,194	272,890	-	-	-	-	-	26,841,399
Cash and balances with treasury banks	21,581,043	11,773,319	172,069	-	-	-	-	-	-	-	8,765,571
Balances with other banks	3,315,500	2,028,478	735,332	555,690	-	-	-	-	-	-	-
Lending to financial institutions	75,973,238	6,325,923	24,332,901	25,337,267	5,170,881	168,563	2,091,245	1,456,811	134,033	-	8,960,138
Investments	19,790,988	14,770,300	29,333,207	30,638,427	53,310,322	11,526,299	14,481,524	17,950,331	10,662,824	-	9,762,598
Advances	9,762,598	-	-	-	-	-	-	-	-	-	9,762,598
Other assets	335,110,702	40,743,956	54,571,509	57,326,578	58,754,093	11,694,862	16,572,769	19,407,142	10,892,230	-	54,325,706
<b>Liabilities</b>											
	3,452,031	-	-	-	-	-	-	-	-	-	3,452,031
Bills payable	13,690,222	12,403,885	114,677	57,339	-	-	-	-	-	-	514,151
Borrowings	300,732,858	31,306,950	53,037,183	14,692,491	110,256,695	2,633,923	2,589,237	159,576	600,170	-	86,056,803
Deposits and other accounts	2,571,169	-	-	2,571,169	-	-	-	-	-	-	-
Sub-ordinated loans	10,053,636	-	-	-	-	-	-	-	-	-	10,053,636
Other liabilities	330,499,916	43,710,835	53,151,860	17,320,999	110,256,695	2,633,923	2,589,237	159,576	600,170	-	100,076,621
<b>On-balance sheet gap</b>	4,610,786	(2,966,879)	1,419,649	40,005,579	(51,502,602)	9,060,939	13,985,532	19,247,566	10,295,000	10,816,857	(45,746,915)
<b>Off-balance sheet financial instruments</b>											
<b>Forward exchange contracts - purchase</b>											
	17,558,221	14,199,063	2,090,791	1,251,167	17,200	-	-	-	-	-	-
Forward exchange contracts - sale	10,459,284	5,952,303	2,784,895	1,474,886	247,200	-	-	-	-	-	-
Repo transactions resale	-	-	-	-	-	-	-	-	-	-	-
Repo transactions repurchase	4,822,429	4,822,429	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	2,276,508	3,424,331	(694,104)	(223,719)	(230,000)	-	-	-	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>	457,452	725,545	39,781,860	(51,733,602)	9,060,939	13,985,532	19,247,566	10,295,000	10,816,857	52,634,209	-
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	457,452	1,182,997	40,964,857	(10,767,745)	(1,706,806)	12,276,726	31,524,292	41,817,352	52,634,209	-	-

**41.4 Liquidity risk**

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function. ALCO monitors the maintenance of balance sheet liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Moreover, as core retail deposits form a considerable part of the bank's overall funding mix therefore significant importance is being given to the stability and growth of these deposits. The BOD has approved a comprehensive liquidity management policy which stipulates the early warning indicators of liquidity risk and maintenance of various ratios. Moreover, Bank also has a 'Contingency Funding Plan' in place to address liquidity issues in times of stress / crisis situations.

## 41.4.1

## Maturities of Assets and Liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

2009

Assets	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Cash and balances with treasury banks	35,056,012	15,050,500	-	-	-	446,484	-	-	-	20,005,512
Balances with other banks	22,722,639	19,848,461	2,212,878	214,816	-	-	-	-	-	-
Lendings to financial institutions	14,947,435	12,270,921	2,667,734	8,780	-	-	-	-	-	-
Investments	99,159,957	615,033	13,788,738	15,981,596	21,619,281	7,063,890	8,465,396	23,556,394	6,347,370	1,722,259
Advances	188,042,438	25,792,919	21,030,142	26,083,264	61,676,415	11,261,343	8,056,120	16,840,165	4,906,557	12,395,513
Operating fixed assets	14,492,194	178,000	356,001	534,002	1,068,003	2,000,766	847,082	1,122,845	947,238	7,438,257
Other assets	14,649,380	12,707,125	168,278	252,415	758,888	152,535	152,535	228,802	228,802	-
	389,070,055	86,462,959	40,223,771	43,074,873	85,569,071	20,478,534	17,521,133	41,748,206	12,423,967	41,561,541
<b>Liabilities</b>										
Bills payable	3,766,144	3,766,144	-	-	-	-	-	-	-	-
Borrowings	20,653,921	10,975,843	479,087	8,652,611	42,892,181	40,352,399	77,310,606	27,559,512	546,380	-
Deposits and other accounts	324,759,752	41,188,942	47,965,839	31,230,314	1,494	418,499	1,273,818	884,876	16,259,959	-
Sub-ordinated loans	7,570,181	-	-	1,494	-	-	-	-	4,990,000	-
Deferred tax liabilities	179,851	-	-	-	-	-	-	-	-	-
Other liabilities	10,006,786	5,427,938	91,809	467,784	633,330	1,075,529	1,075,529	1,075,529	159,338	-
	366,936,635	61,358,867	48,536,735	40,352,203	43,527,005	41,846,427	79,659,953	29,699,768	21,955,677	-
<b>Net assets</b>	<b>22,133,420</b>	<b>25,104,092</b>	<b>(8,312,964)</b>	<b>2,722,670</b>	<b>42,042,066</b>	<b>(21,367,893)</b>	<b>(62,138,820)</b>	<b>12,048,438</b>	<b>(9,525,710)</b>	<b>41,561,541</b>
Share capital	13,491,563									
Reserves	3,587,969									
Unappropriated profit	2,690,728									
Surplus on revaluation of assets - net of tax	2,363,160									
	22,133,420									

2008

Assets	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Cash and balances with treasury banks	32,687,335	172,069	-	-	272,890	-	-	-	-	-
Balances with other banks	21,581,043	20,538,890	733,332	597,194	-	-	-	-	-	-
Lendings to financial institutions	3,315,500	2,028,478	733,332	553,690	5,233,088	4,643,024	4,448,400	13,679,516	3,168,631	6,093,786
Investments	75,973,238	808,690	14,076,595	23,821,508	53,310,322	11,526,299	14,481,524	17,950,331	9,097,754	10,682,824
Advances	191,790,988	14,770,300	29,333,207	30,638,427	631,784	1,263,569	1,263,569	2,527,138	6,099,913	1,355,535
Operating fixed assets	13,773,293	105,298	210,594	315,893	340,978	199,597	199,597	299,396	514,468	-
Other assets	9,869,367	7,751,380	222,972	340,979	340,978	199,597	199,597	299,396	514,468	-
	348,990,764	78,690,371	44,748,769	56,267,691	59,789,062	17,632,489	20,393,090	34,456,381	18,880,766	18,132,145
<b>Liabilities</b>										
Bills payable	3,452,031	3,452,031	-	-	-	-	-	-	-	-
Borrowings	13,690,222	12,403,885	114,677	57,339	28,238,112	8,709,374	8,664,688	6,235,027	600,170	514,151
Deposits and other accounts	300,732,858	126,476,929	62,150,359	23,805,667	494	988	408,758	1,719,738	36,452,702	-
Sub-ordinated loans	2,571,169	-	-	494	-	-	-	208,465	440,697	-
Deferred tax liabilities	208,465	-	-	-	1,597,757	1,166,807	1,166,807	1,166,807	172,857	-
Other liabilities	11,291,280	5,227,253	252,966	540,026	29,836,363	9,877,169	10,240,253	9,330,037	37,666,426	514,151
	331,946,025	147,560,098	62,518,002	24,403,526	29,836,363	9,877,169	10,240,253	9,330,037	37,666,426	514,151
<b>Net assets</b>	<b>17,044,739</b>	<b>(68,869,727)</b>	<b>(17,769,233)</b>	<b>31,864,165</b>	<b>29,952,699</b>	<b>7,755,320</b>	<b>10,152,837</b>	<b>25,126,344</b>	<b>(18,785,660)</b>	<b>17,617,994</b>
Share capital	7,995,000									
Reserves	3,166,056									
Unappropriated profit	3,447,467									
Surplus on revaluation of assets - net of tax	2,436,216									
	17,044,739									

Current and saving deposits do not have any contractual maturity. Therefore, these deposits have been classified based on management experience with such class of deposits, with the approval of ALCO. However, these deposits are payable on demand.

41.4.2 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

		2009								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
-----Rupees in '000-----										
<b>Assets</b>										
Cash and balances with treasury banks	35,056,012	15,050,500	-	-	-	-	-	-	-	20,005,512
Balances with other banks	22,722,639	19,848,461	2,212,878	214,816	-	-	-	-	-	-
Lendings to financial institutions	14,947,435	12,270,921	2,667,734	8,780	446,484	-	-	-	-	-
Investments	99,159,957	615,033	13,788,738	15,981,596	21,619,281	7,063,890	8,465,396	23,556,394	6,347,370	1,722,259
Advances	188,042,438	25,792,919	21,030,142	26,083,264	61,676,415	11,261,343	8,056,120	16,840,165	4,906,557	12,395,513
Operating fixed assets	14,492,194	178,000	356,001	534,002	1,068,003	2,000,766	847,082	1,122,845	947,238	7,438,257
Other assets	14,649,380	12,707,125	168,278	252,415	758,888	152,535	152,535	228,802	228,802	-
	389,070,055	86,462,959	40,223,771	43,074,873	85,569,071	20,478,534	17,521,133	41,748,206	12,429,967	41,561,541
<b>Liabilities</b>										
Bills payable	3,766,144	3,766,144	-	-	-	-	-	-	-	-
Borrowings	20,653,921	10,975,843	479,087	8,652,611	-	1,583,546	2,753,890	156,692	546,380	-
Deposits and other accounts	324,759,752	214,243,219	46,052,902	34,070,578	25,898,925	418,499	1,273,818	884,876	4,990,000	-
Sub-ordinated loans	7,570,181	-	-	1,494	1,494	-	-	179,851	-	-
Deferred tax liabilities	179,851	-	-	-	-	-	-	1,075,529	159,338	-
Other liabilities	10,006,786	5,427,938	91,809	467,784	633,330	1,075,529	5,103,237	2,296,948	5,693,718	-
	366,936,635	234,413,144	46,623,798	43,192,467	26,533,749	3,077,574	12,417,896	39,451,258	6,734,249	41,561,541
<b>Net assets</b>										
	22,133,420	(147,950,185)	(6,400,027)	(117,594)	59,035,322	17,400,960	12,417,896	39,451,258	6,734,249	41,561,541
Share capital	13,491,563									
Reserves	3,587,969									
Unappropriated profit	2,690,728									
Surplus on revaluation of assets - net of tax	2,363,160									
	22,133,420									

2008

		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
-----Rupees in '000-----										
<b>Assets</b>										
Cash and balances with treasury banks	32,687,335	32,687,335	-	-	-	-	-	-	-	-
Balances with other banks	21,581,043	20,538,890	172,069	597,194	272,890	-	-	-	-	-
Lendings to financial institutions	3,315,500	2,028,478	733,332	553,690	-	-	-	-	-	-
Investments	75,973,238	808,690	14,076,595	23,821,508	5,233,088	4,643,024	4,448,400	13,679,516	3,168,631	6,093,786
Advances	191,790,988	14,770,300	29,333,207	30,638,427	53,310,322	11,526,299	14,481,524	17,950,331	9,097,754	10,682,824
Operating fixed assets	13,773,293	105,298	210,594	315,893	631,784	1,263,569	1,263,569	2,327,138	6,099,913	1,355,535
Other assets	9,869,367	7,751,380	222,972	340,979	340,978	199,597	199,597	299,396	514,468	-
	348,990,764	78,690,371	44,748,769	56,267,691	59,789,062	17,632,489	20,393,090	34,456,381	18,880,766	18,132,145
<b>Liabilities</b>										
Bills payable	3,452,031	3,452,031	-	-	-	-	-	-	-	-
Borrowings	13,690,222	12,403,885	114,677	57,339	-	2,633,923	2,589,237	159,576	600,170	514,151
Deposits and other accounts	300,732,858	208,495,512	53,037,183	14,692,491	19,124,936	988	408,758	1,719,738	440,697	-
Sub-ordinated loans	2,571,169	-	-	494	494	-	-	208,465	-	-
Deferred tax liabilities	208,465	5,227,253	252,966	540,026	1,597,757	1,166,807	1,166,807	1,166,807	172,857	-
Other liabilities	11,291,280	229,578,681	53,404,826	15,290,350	20,723,187	3,801,718	4,164,802	3,254,586	1,213,724	514,151
	331,946,025	(150,888,310)	(8,656,057)	40,977,341	39,065,875	13,830,771	16,228,288	31,201,795	17,667,042	17,617,994
<b>Net assets</b>										
	17,044,739	7,995,000	3,166,056	3,447,467	2,456,216	17,044,739	17,044,739	17,044,739	17,044,739	17,044,739
Share capital	7,995,000									
Reserves	3,166,056									
Unappropriated profit	3,447,467									
Surplus on revaluation of assets - net of tax	2,456,216									
	17,044,739									

The above mentioned maturity profile has been prepared based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profile disclosed in note 41.4.1 that includes maturities of current and saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.

#### 41.5 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Function has been established within RMD, which directly reports to General Manager - RMD.

The Operational risk management policy of the Bank is incorporated in the Board-approved Risk Management Policy and Risk Management & Internal Control Manual, which covers the strategies, processes, structure and functions of Operational risk management and provide guidelines to identify, assess, monitor, control & report operational risk in a consistent & transparent manner across the Bank.

##### 41.5.1 Operational Risk Disclosures - Basel II Specific

Currently, Bank is using the ‘Basic Indicator Approach’ for calculating the capital charge for Operational Risk. However, Bank intends to move towards the ‘Alternative Standardized Approach’ and for this purpose, the mapping of business activities into Basel defined business lines has already been completed.

At Bank Alfalah, risk awareness culture is being encouraged by communicating the principles of proper risk management to all Bank employees. A separate ‘Research & Help Desk’ has been created in this regard that helps in creating awareness about Risk Management, Basel II and the capital calculation approaches. Operational Risk Function and business / support units are involved and regularly collaborate in determining and reviewing the strategy, in order to use it as an action plan in improving the operational risk & control system at the organizational and business / support unit levels. Almost all the policies and procedures of the Bank are reviewed from the risk perspective, and the recommendations of RMD are taken into consideration before their approval at the appropriate level. All the business / support units are responsible for ensuring compliance with policies and procedures in their day-to-day activities and monitoring key operational risk exposures. An Operational Loss Database, Risk & Control Self Assessment (RCSA) exercise and Key Risk Indicators (KRIs) are being developed and implemented across the organization.

A reporting structure has been put in place whereby all business/support units have been made responsible to collect and report the operational losses/ near miss incidents to Risk Management Division. These Operational losses, occurring across the organization and reported to Operational Risk Management Department, are aggregated to an internally developed ‘Operational Loss Database’.

As required by Basel II, Bank has categorized all its Operational loss/near miss incidents into following loss event categories;

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & system Failure
- Execution, Delivery & Process Management

For the purpose of continuous monitoring of risks, Key Risk Indicators (KRIs) have been identified across the Bank and now KRI reporting has also been initiated.

BAL’s Information Security Policy and Business Continuity Plan have been approved by the Board of Directors and are in the process of implementation. A dedicated IT Security Unit is functioning within Risk Management Division while responsibility for BCP implementation resides with Operations Group.

**42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on March 15, 2010 has announced cash dividend of 8 percent. This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2009 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2010.

**43. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on March 15, 2010 by the Board of Directors of the Bank.

**44. GENERAL**

**44.1 Comparatives**

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. Significant reclassification include:

- a) Brokerage expense amounting to Rs. 163.161 million for the year ended December 31, 2008 has been reclassified from administrative expenses and included in markup / return / interest expensed.
- b) Interchange acquiring fee relating to credit card business amounting Rs. 422.503 million for the year ended December 31, 2008 has been reclassified from administrative expenses and netted off from fee, commission and brokerage income.
- c) Reward payments amounting to Rs. 79.945 million for the year ended December 31, 2008 have been reclassified from administrative expenses and netted from markup / return / interest income.
- d) Mark-up / return / interest income amounting to Rs. 1,514.214 million for the year ended December 31, 2008 has been reclassified from mark-up income on investment in Available-for-Sale and shown Rs. 3.925 million and Rs. 1,510.289 million as income on investment in Held-for-Trading and Held-to-Maturity respectively. There was no impact of this reclassification on aggregate amount of mark-up / return / interest income.
- e) Advance against Ijarah, Musharika and Murabaha amounting to Rs. 233.755 million, Rs. 450.115 million and Rs. 196.311 million respectively for the year ended December 31, 2008 has been reclassified from the advances to other assets as advances against Ijarah, Musharika and Murabaha.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman



**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF 500,000 RUPEES  
OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2009**

(Rupees in '000)

S. No.	Name and address of the Borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2009			Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others					
1	2	3	4	5	6	7	8	9	10	11	12
1	Index Commodities (Pvt.) Ltd.	Syed Hussain Abbas 42301-7152071-9 Muhammad Akbar 42201-8186616-7	Ghulam Haider  Qazi Muhammad	3,079,000	738,000	79,000	3,896,000	3,079,000	738,000	79,000	3,896,000
2	Malik Saleem Brothers	M. Shahab-ud-Din 239-64-022417	Muhammad Hussain	3,421,000	757,000	-	4,178,000	3,421,000	757,000	-	4,178,000
3	ESP Global IT System	Sh. Rizwan Ahmed 35201-9849754-3 Muhammad Arif 275-43-292808 Shahida Rasheed 35202-3686068-8	Sh. Khurshid Ahmed  Saeed Ullah  Sh. Khurshid Ahmed	553,000	48,000	-	601,000	553,000	48,000	-	601,000
4	Alliance Trading Company PO Box 2269, 1st Floor, Naqi Market, Lahore.	Minhaj-ud-Din Sheikh Bashir Ahmed Chaudhry Manzoor Hasan Shafiqat Iftikhar	Information not available with the Bank's record	1,802,000	-	-	1,802,000	1,802,000	-	-	1,802,000
5	Shafique A. Sheikh 53-B, Main Gulberg, Lahore.	Shafique A. Sheikh	Muhammad Shafiq	1,520,000	403,000	-	1,923,000	1,520,000	403,000	-	1,923,000
6	Faran Enterprises (Pvt.) Ltd. 84 Industrial Estate, Kot Lakhpat, Lahore.	Nazir Ahmed Chaudhry Niaz Ahmed Khan Chaudhry Bashir Khalid Noor Ahmed Tahir Nazir	Information not available with the Bank's record	2,748,000	-	-	2,748,000	2,748,000	-	-	2,748,000
7	Sheikh Impex (Pvt.) Ltd. 9.2 KM Sheikhpura, Lahore.	Shaukat Iqbal Vora Abdul Khaliq Nuzhat Firdous Firkhanda Jabeen G. A. Akhter	Information not available with the Bank's record	3,154,000	1,236,000	-	4,390,000	3,154,000	1,236,000	-	4,390,000
8	Apex International Associates 13-F, Gulberg, Raja Center Main Market Gulberg, Lahore.	Tahir Ahmed	Information not available with the Bank's record	2,229,000	-	-	2,229,000	2,229,000	-	-	2,229,000
9	Anwars Mahnoor Collection First Floor, Anum Centre, Dundas Street, Saddar, Karachi.	42301-9818102-9	Shaikh M. Iqbal Hookmani	24,951,000	2,252,000	-	27,203,000	3,631,000	-	-	3,631,000

ANNEXURE - I

(Rupees in '000)

S. No.	Name and address of the Borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2009					Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	5	6					
1													
10	Bashir Tanneries (Pvt.) Ltd. 23-KM GT Road, Muridke.	Sheikh Muhammad Shafique Sheikh Muhammad Jamil Sheikh Muhammad Pervez Sheikh Muhammad Naem Aftab Jamil	M. Bashir Sh. Mohammad Shafiq Muhammad Jamil	20,435,000	97,000	-	20,532,000	10,435,000	97,000	-	-	10,532,000	
11	Arshad Ali Sheikh House No. 2, Street No. 12	Arshad Ali Sheikh 33100-1301643-7	Information not available with the Bank's record	501,968	218,873	-	720,841	501,968	218,873	-	-	720,841	
12	Farooq Nizami H # P-7, Saeed Colony	Farooq Nizami 33100-4619337-9	Information not available with the Bank's record	502,252	221,595	-	723,847	502,252	221,595	-	-	723,847	
13	Aslam C-74-75, Dhoraji Colony	Aslam 42201-6769103-5	Information not available with the Bank's record	592,366	578,258	-	1,170,624	592,366	578,258	-	-	1,170,624	
14	Abdul Munaf H. No. 198, Karim Block	Abdul Munaf 35202-4929724-7	Information not available with the Bank's record	788,211	359,058	-	1,147,269	788,211	359,058	-	-	1,147,269	
15	Dixy Fried Chicken	Wasim Ghias Sheikh 29-E-1, Gulberg III, Lahore 35201-6548150-7	Sh. Ghais ud Din	2,888,572	345,387	-	3,233,959	2,888,572	345,387	-	-	3,233,959	
16	G K Goods Forwarding Agencies	Gul Karim	Fakhar Din	2,558,074	710,163	-	3,268,237	2,558,074	-	-	-	2,558,074	
17	M/S Al-Qadeer Coach	Sher Rehman Shop # 03, Near Gillani Hotel, General Bus Stand, Pirwadahi, Rawalpindi.	Gul Karim	2,250,000	1,054,875	-	3,304,875	2,250,000	-	-	-	2,250,000	
18	Balaj Textile Mills (Pvt.) Ltd.	Mian Muhammad Akram 35 Hunza Block, Allama Iqbal Town, Lahore.  Mian Ikram Mahmood House No. 6, Muslim Street Kahna Nau, Lahore	Mian Muhammad Ismail  Mian Muhammad Ismail  Mian Muhammad Akram	24,292,375	1,503,053	-	25,795,428	4,292,375	-	-	-	4,292,375	
			<b>Total</b>	<b>98,265,818</b>	<b>10,522,262</b>	<b>79,000</b>	<b>108,867,080</b>	<b>46,945,818</b>	<b>5,002,171</b>	<b>79,000</b>	<b>-</b>	<b>52,026,989</b>	

## ANNEXURE - II

### ISLAMIC BANKING BUSINESS

The bank is operating 60 Islamic banking branches as at December 31, 2009 (December 31, 2008: 48 branches).

	2009	2008
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	4,939,841	3,211,554
Balances with and due from financial institutions	7,522,132	7,740,302
Lendings to financial institutions	-	-
Investments	10,168,389	3,986,499
Advances	16,920,995	19,525,602
Operating fixed assets	1,552,921	1,487,121
Other assets	5,073,049	2,291,088
	<b>46,177,327</b>	<b>38,242,166</b>
<b>LIABILITIES</b>		
Bills payable	331,796	291,309
Borrowings from financial institutions	688,107	1,639,612
Deposits and other accounts	38,464,724	30,243,200
Subordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,228	1,268
Other liabilities	2,845,219	2,969,163
	<b>42,331,074</b>	<b>35,144,552</b>
<b>NET ASSETS</b>	<b>3,846,253</b>	<b>3,097,614</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	1,800,000	1,800,000
Exchange Equalization Reserve	8,559	3,658
Unappropriated/ Unremitted profit	1,277,579	575,961
	<b>3,086,138</b>	<b>2,379,619</b>
Surplus / (Deficit) on revaluation of assets - net of tax	760,115	717,995
	<b>3,846,253</b>	<b>3,097,614</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>1,500</b>	<b>1,500</b>
<b>CHARITY FUND</b>		
Opening Balance	37,575	28,119
Additions during the year	46,852	29,800
Payments / Utilization during the year	73,619	20,344
Closing Balance	<b>10,808</b>	<b>37,575</b>

**Note:**

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

## ANNEXURE - II

### ISLAMIC BANKING BUSINESS

The bank is operating 60 Islamic banking branches as at December 31, 2009 (December 31, 2008: 48 branches).

	2009	2008
	(Rupees in '000)	
Mark-up / Return Earned	3,373,900	2,552,096
Mark-up / Return Expensed	1,829,562	1,480,890
Net Mark-up / Return Income	<u>1,544,338</u>	<u>1,071,206</u>
Depreciation on assets given on lease	64,515	-
Net Mark-up / Return Income after depreciation	<u>1,479,823</u>	<u>1,071,206</u>
Provisions against loans and advances	(47,204)	59,902
Provision for diminution in value of investments	74,899	50,491
Bad debts written off directly	4,990	12,743
	<u>32,685</u>	<u>123,136</u>
<b>Net Mark-up / Return Income after provisions</b>	<u>1,447,138</u>	<u>948,070</u>
<b>NON-MARK-UP INCOME</b>		
Fee, commission and brokerage income	76,064	76,478
Dividend income	31,013	17,985
Income from dealing in foreign currencies	32,942	31,990
Gain / (Loss) on sale of securities	27,833	(25,424)
Unrealized gain on revaluation of investments classified as held for trading	-	1,488
Other income	127,304	82,687
<b>Total Non- Mark-up Income</b>	<u>295,156</u>	<u>185,204</u>
	<u>1,742,294</u>	<u>1,133,274</u>
<b>NON-MARK-UP EXPENSES</b>		
Administrative expenses	1,037,545	846,229
Other charges	3,201	127
<b>Total Non- Mark-up Expenses</b>	<u>1,040,746</u>	<u>846,356</u>
<b>PROFIT BEFORE TAXATION</b>	<u>701,548</u>	<u>286,918</u>
Unappropriated profit brought forward	575,961	288,973
Transferred from Surplus on revaluation of fixed assets-net of tax	70	70
Profit available for appropriation / unremitted profit	<u>1,277,579</u>	<u>575,961</u>

**Note:**

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

## SHARIAH ADVISOR'S REPORT

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء والمرسلين،  
محمد المصطفى الأمين، وعلى آله وأصحابه أجمعين، وبعد:

We have carried out Shariah Audit in Bank Alfalah Islamic Banking Group to check the Shariah Compliance of the overall transactions executed during the period 2009.

We performed the necessary review of documentation, procedure and transactions on test basis in both Asset and Liability sides.

We are of the opinion that the activities and transactions performed by Bank Alfalah Islamic Banking Group During the year 2009, in whole, are in compliance with Shariah Principles and guidelines provided by Shariah Advisor and State Bank of Pakistan.

The allocation of fund, determination of weightages, profit ratio and distribution of profit were in accordance with Shariah Principles.

During the year an amount of PKR 46,851,638/- has been transferred to the Charity Account and an amount of PKR 73,619,000/- was disbursed to the charitable avenues.

Bank Alfalah Islamic Banking Group has developed flow charts, process flows and checklists of each Asset Side Product and also introduced some new products on Liability. Side with monthly profit payments facilitating the depositors.

However, we need considerable improvement in following areas which have been mentioned in previous report also, but significant improvement still awaited:

1. Though Bank Alfalah Islamic Banking Group is providing training to their staff at NIBAF, however, In view of its rapidly growing branch network, I realized that the Bank Alfalah Islamic Banking Group need to establish in house setup to train its staff in various areas of Islamic Banking. Particularly it should be ensured that new hired staff should first be sent to an introductory course in Islamic Banking before inducting them to their functions.
2. Bank should also initiate towards customer awareness program in the form of seminars and workshops regarding Islamic Banking and its products.
3. On the Asset Side Bank Alfalah Islamic Banking Group should now focus on real Shirkah and Modaraba that are the nucleus of the Islamic Banking.
4. Shariah Scholars have allowed conventional insurance in the absence of its Islamic alternate. i.e. Takaful. Alhamdollilah, now in Pakistan, three Takaful companies are providing their services, therefore, Bank Alfalah Islamic Banking Group should speed up the shifting process of its portfolio from insurance to Takaful.

Finally we would like to highlight that Bank Alfalah Islamic Banking Group despite of a division of conventional bank holds 2nd largest Islamic Banking operation among the nineteen full fledge Islamic Banks / Divisions in Pakistan, which is appreciable and reflects the strong commitment of Share Holders and Management towards Islamic Banking.

May Allah bless and guide us as He has done since the inception of Bank Alfalah Islamic Banking Group, and make us successful in this world and Hereafter.

Allah Knows The Best.

**DR. KHALIL AHMAD AAZAMI**  
SHARIAH ADVISOR  
BANK ALFALAH ISLAMIC BANKING GROUP

DATED: February 11, 2010



Consolidated  
Financial Statements  
of

**BANK ALFALAH LIMITED**

and Subsidiary Company



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising Consolidated Balance Sheet of Bank Alfalah Limited and its subsidiary company, Alfalah Securities (Private) Limited as at December 31, 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 (here-in-after referred to as the 'Consolidated Financial Statements'), for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 38 branches, which have been audited by us and 7 branches audited by auditors abroad. We have also expressed a separate opinion on the separate financial statements of Bank Alfalah Limited. The financial statements of the subsidiary company were audited by another firm of Chartered Accountants 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 Holding Company'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 auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, based on 38 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of Bank Alfalah Limited and its subsidiary company as at December 31, 2009 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

**A. F. Ferguson & Co.**

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: March 16, 2010

Karachi



# CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	35,056,025	32,687,342
Balances with other banks	7	22,722,927	21,584,602
Lendings to financial institutions	8	14,947,435	3,315,500
Investments	9	99,279,438	76,017,285
Advances	10	188,021,492	191,572,336
Fixed assets	11	14,552,454	13,846,774
Deferred tax assets	-	-	-
Other assets	12	14,714,496	10,255,086
		<b>389,294,267</b>	<b>349,278,925</b>
<b>LIABILITIES</b>			
Bills payable	13	3,766,144	3,452,031
Borrowings	14	20,653,921	14,071,247
Deposits and other accounts	15	324,743,389	300,729,764
Sub-ordinated loans	16	7,570,181	2,571,169
Liabilities against assets subject to finance lease	17	12,358	17,459
Deferred tax liabilities	18	774,246	208,281
Other liabilities	19	10,091,833	11,345,489
		<b>367,612,072</b>	<b>332,395,440</b>
<b>NET ASSETS</b>		<b>21,682,195</b>	<b>16,883,485</b>
<b>REPRESENTED BY</b>			
Share capital	20	13,491,563	7,995,000
Reserves		3,587,969	3,166,056
Share in share premium of associate		1,615,473	1,615,473
Unappropriated profit		(23,926)	1,727,752
		<b>18,671,079</b>	<b>14,504,281</b>
Minority Interest		-	-
		<b>18,671,079</b>	<b>14,504,281</b>
Surplus on revaluation of assets - net of tax	21	3,011,116	2,379,204
		<b>21,682,195</b>	<b>16,883,485</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

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

Chief Executive Officer

Director

Director

Chairman

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Mark-up / return / interest earned	24	35,554,930	31,017,752
Mark-up / return / interest expensed	25	24,709,878	20,556,157
Net mark-up / interest income		10,845,052	10,461,595
Provision against loans and advances	10.5	3,114,488	2,035,997
Provision for diminution in value of investments	9.20	277,607	1,442,619
Bad debts written off directly	10.6	59,817	28,298
		3,451,912	3,506,914
Net mark-up / interest income after provisions		7,393,140	6,954,681
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,976,011	2,213,037
Dividend income		207,197	287,878
Income from dealing in foreign currencies		1,019,732	914,845
Gain on sale of securities	26	690,558	424,798
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.22	1,934	(182,422)
Other income	27	1,306,801	1,247,237
Total non-mark-up / interest income		5,202,233	4,905,373
		12,595,373	11,860,054
<b>Non mark-up / interest expenses</b>			
Administrative expenses	28	11,009,954	9,922,059
(Reversal) / provision against off-balance sheet obligations	19.2	(1,419)	28,582
Other provisions		258,484	271,224
Other charges	29	79,454	122,758
Total non-mark-up / interest expenses		11,346,473	10,344,623
		1,248,900	1,515,431
Share of loss of associates		(811,236)	(1,304,220)
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		437,664	211,211
Taxation	30		
- Current		1,071,160	1,741,326
- Deferred		(537,401)	(1,151,361)
- Prior years		(179,674)	(85,603)
Share of tax of associates		181,483	(295,900)
		535,568	208,462
<b>(Loss) / profit after taxation</b>		(97,904)	2,749
<b>(Loss) / profit attributable to:</b>			
Equity holders of the parent		(97,904)	28,795
Minority interests		-	(26,046)
		(97,904)	2,749
		<b>(Rupees)</b>	
<b>Basic / diluted (loss) / earning per share</b>	31	(0.08)	0.03

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

Chief Executive Officer

Director

Director

Chairman



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

2009

2008

(Rupees in '000)

Profit after taxation

(97,904)

2,749

Other comprehensive income\*:

Exchange differences on translation of net investment in foreign branches

242,506

490,963

Total comprehensive income for the year

144,602

493,712

\* Surplus / deficit arising on revaluation of fixed assets and 'available for sale' securities is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan. Accordingly, it has not been reflected in the Statement of Comprehensive Income.

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

Chief Executive Officer

Director

Director

Chairman



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009

Note

2009

2008

(Rupees in '000)

## CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	437,664	211,211
Share of loss of associates	811,236	1,304,220
Less: Dividend income	(207,197)	(287,878)
	<u>1,041,703</u>	<u>1,227,553</u>

### Adjustments:

Depreciation	1,479,818	1,218,648
Amortisation	66,207	106,831
Provision against loans and advances	3,114,488	2,035,997
Provision for diminution in value of investments	277,607	1,442,619
(Reversal) / provision against off-balance sheet obligations	(1,419)	28,582
Provision against other assets	258,484	271,224
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(1,934)	182,422
Bad debts written-off directly	59,817	28,298
Gain on sale of fixed assets	(43,601)	(80,732)
Provision for gratuity	189,352	142,926
	<u>5,398,819</u>	<u>5,376,815</u>
	<u>6,440,522</u>	<u>6,604,368</u>

### (Increase) / decrease in operating assets

Lendings to financial institutions	(11,237,039)	2,454,477
Held-for-trading securities	(243,102)	519,177
Advances	376,539	(22,605,448)
Other assets	(4,350,743)	(3,716,126)
	<u>(15,454,345)</u>	<u>(23,347,920)</u>

### Increase / (decrease) in operating liabilities

Bills payable	314,113	(686,212)
Borrowings	6,582,674	(7,477,602)
Deposits and other accounts	24,013,625	27,557,676
Other liabilities	(196,970)	1,229,799
	<u>30,713,442</u>	<u>20,623,661</u>

Gratuity paid	(189,352)	(142,926)
Income tax paid	(1,562,564)	(1,226,839)
<b>Net cash generated from operating activities</b>	<u>19,947,703</u>	<u>2,510,344</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(16,255,052)	12,582,621
Net investments in held-to-maturity securities	(7,487,002)	(705,793)
Investment in associated companies	-	(1,687,218)
Dividend income received - associated companies	41,021	13,065
Dividend income received - other than associated companies	212,548	285,173
Investments in fixed assets	(1,904,295)	(3,322,041)
Proceeds from sale of fixed assets	113,064	230,046
<b>Net cash (used in) / generated from investing activities</b>	<u>(25,279,716)</u>	<u>7,395,853</u>

## CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of sub-ordinated loans	5,000,000	-
Redemption of sub-ordinated loans	(988)	(649,689)
Issuance of right shares	3,997,500	-
Dividend paid	-	(975,000)
Payment against lease obligation	(5,101)	(7,111)
<b>Net cash generated from / (used in) financing activities</b>	<u>8,991,411</u>	<u>(1,631,800)</u>
Exchange difference on translation of the net investments in foreign branches	242,506	490,963

<b>Increase in cash and cash equivalents</b>	<u>3,901,904</u>	<u>8,765,360</u>
Cash and cash equivalents at beginning of the year	57,587,444	48,822,084
<b>Cash and cash equivalents at end of the year</b>	<u>61,489,348</u>	<u>57,587,444</u>

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

Chief Executive Officer

Director

Director

Chairman



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

	Share Capital	Share Premium	Statutory Reserve (a)	Reserve for issue of Bonus Shares	Exchange Translation Reserve	Unappropriated Profit (b)	Share in share premium of associate	Minority Interest	Total
(Rupees in '000)									
Balance at January 1, 2008	6,500,000	-	2,327,775	-	87,058	4,404,631	1,615,473	26,046	14,960,983
<b>Changes in equity for 2008</b>									
Comprehensive income for the year ended December 31, 2008	-	-	-	-	490,963	28,795	-	-	519,758
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,586	-	-	24,586
Loss attributable to minority shareholders	-	-	-	-	-	-	-	(26,046)	(26,046)
Transfer to statutory reserve	-	-	260,260	-	-	(260,260)	-	-	-
Final cash dividend for the year ended December 31, 2007 declared subsequent to the year end at Rs.1.5 per share	-	-	-	-	-	(975,000)	-	-	(975,000)
Transfer to reserve for issue of bonus shares	-	-	-	1,495,000	-	(1,495,000)	-	-	-
Issue of bonus shares	1,495,000	-	-	(1,495,000)	-	-	-	-	-
Balance at December 31, 2008	7,995,000	-	2,588,035	-	578,021	1,727,752	1,615,473	-	14,504,281
<b>Changes in equity for 2009</b>									
Comprehensive income for the year ended December 31, 2009	-	-	-	-	242,506	(97,904)	-	-	144,602
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,696	-	-	24,696
Transfer to statutory reserve	-	-	179,407	-	-	(179,407)	-	-	-
Issue of right shares	3,997,500	-	-	-	-	-	-	-	3,997,500
Transfer to reserve for issue of bonus shares	-	-	-	1,499,063	-	(1,499,063)	-	-	-
Issue of bonus shares for the year ended December 31, 2008 @ 12.5%	1,499,063	-	-	(1,499,063)	-	-	-	-	-
<b>Balance at December 31, 2009</b>	<b>13,491,563</b>	<b>-</b>	<b>2,767,442</b>	<b>-</b>	<b>820,527</b>	<b>(23,926)</b>	<b>1,615,473</b>	<b>-</b>	<b>18,671,079</b>

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

(b) As more fully explained in note 10.5.1 to these consolidated financial statements balance of Rs. 1,562.488 million (2008: Rs. 404.459 million) as at December 31, 2009 representing additional profit arising from availing FSV benefit for determining provisioning requirement is not available for the purposes of distribution of dividend to shareholders.

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

Chief Executive Officer

Director

Director

Chairman

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

## 1 STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

Holding Company

- Bank Alfalah Limited (the Bank)

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 01, 1992. The Bank's registered office is at B.A. Building, I. I. Chundrigar Road, Karachi and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 253 conventional banking branches including 4 sub branches (2008: 226 branches including 2 sub branches), 7 overseas branches (2008: 7 branches), 60 Islamic banking branches (2008: 48 branches) and 1 offshore banking unit (2008: 1 unit).

### Subsidiary Company

- Alfalah Securities (Private) Limited - 76 percent holding

The Bank has invested in 76 percent (December 2008: 76 percent) shares of Alfalah Securities (Private) Limited. The principal objective of the company is to undertake the business of a brokerage house. Alfalah Securities (Private) Limited was incorporated on September 23, 2003 with registered office in Karachi, Pakistan. The company obtained corporate membership from Karachi Stock Exchange (Guarantee) Limited on November 24, 2003.

### 1.2 In addition the Group maintains investments in the following associates:

	2009	2008
	Percentage of shareholding	
Warid Telecom (Private) Limited	8.76 percent	8.76 percent
Wateen Telecom Limited	20 percent	20 percent
Alfalah Insurance Company Limited	30 percent	30 percent
Alfalah GHP Value Fund	28.05 percent	15.06 percent
Alfalah GHP Income Multiplier Fund	92.42 percent	54.40 percent
Alfalah GHP Islamic Fund	96.55 percent	66.56 percent
Alfalah GHP Investment Management Limited	40.22 percent	40.22 percent

Warid Telecom (Private) Limited has been classified as an associate due to significant influence exercised through the Bank's nominated Director and it is also one of the Group Companies.

## 2 BASIS OF PRESENTATION

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

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter branch transactions / balances, Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.

### 2.2 Basis of consolidation

The consolidated financial statements include the financial statements of Bank Alfalah Limited - Holding Company and its subsidiary company - "the Group".

- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal.

- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements.
- Minority interests are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Bank.
- Material intra-group balances and transactions have been eliminated.

Currently the losses applicable to the minority interest in Alfalah Securities (Private) Limited exceed the minority interest in the subsidiary's equity, therefore, the excess has been allocated to the equity holders of the parent entity. International Accounting Standard 27, Consolidated and Separate Financial Statements (Revised) effective for financial period beginning from January 1, 2010, requires that the profit or loss and each component of other comprehensive income is attributable to the equity holders of the parent entity and to the minority interest (referred to as non-controlling interest) even if this results in the non-controlling interests having a deficit balance.

### 3 STATEMENT OF COMPLIANCE

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

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 till further instructions. In addition the Securities and Exchange Commission of Pakistan has also deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures on Banking Companies vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

In addition, the Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard 1, Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. The standard has not been adopted by stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with the SBP and the SECP.

#### 3.2 Changes in accounting policies and disclosures - standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- a) Islamic Financial Accounting Standard 2: "Ijarah" (effective from January 1, 2009). In accordance with IFAS 2, ijarah transactions entered into by the Bank during the current period are required to be accounted for as follows:
- Mujir (lessors) shall present the assets subject to ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
  - Costs, including depreciation on the assets given on ijarah incurred in earning the ijarah income shall be recognised as an expense.
  - Ijarah income shall be recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Pursuant to IBD Circular No. 1 dated January 27, 2009 issued by the State Bank of Pakistan, the Group has accounted for all ijarah disbursements made in 2009 in line with the requirements set out in IFAS 2. Previously, such disbursements were reflected in the financial statements as a finance lease in accordance with IAS 17, "Leases". As the requirements of IFAS 2 have only been applied to ijarah contracts entered into on or after January 1, 2009, the adoption of this standard did not require any restatement.



- b) IAS 1 (Revised), 'Presentation of financial statements', was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Group has applied IAS 1(Revised) during the current period, and has accordingly changed its accounting policy to comply with the new requirements of IAS. The Group has elected to show elements of comprehensive income in a separate statement. The change in presentation has not affected the net assets of the Group for either the current or any of the prior periods and there is no impact on the earnings per share. Comparative information has been re-presented so that it is also in conformity with the revised standard.

- c) IAS 23 (Amendment) 'Borrowing Costs' (effective from January 1, 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and Measurement'.

During the year the Group has changed its accounting policy in respect of borrowing costs to comply with the requirements of IAS 23 (Amendment), "Borrowing Costs". Previously, borrowing costs were recognised as an expense in the period in which they were incurred. IAS 23 (Amendment) applies to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009 and does not affect qualifying assets for which the commencement date for capitalisation is earlier than the transition date. The Group did not have any qualifying assets whose commencement date for capitalisation was on or after January 1, 2009. Accordingly, the change in accounting policy has had no effect on the financial statements of the Group for the current or prior years.

- d) IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).
- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent.

The Group has adopted the aforementioned amendments from January 1, 2009. The management of the Group believes that this amendment does not have any impact on the Group's consolidated financial statements.

- e) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group has adopted the aforementioned amendments from January 1, 2009. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- f) IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group has adopted the aforementioned amendments from January 1, 2009. The management of the Group believes that this amendment does not have any impact on the Group's consolidated financial statements.

- g) IFRIC Interpretation 13, "Customer Loyalty Programmes" (effective from financial years beginning on or after July 1, 2008). As per IFRIC 13 where goods or services are sold together with a customer loyalty incentive, the arrangement is a multi-element arrangement and the consideration receivable is allocated between the components of the arrangement using fair values. If a third party supplies the awards and the entity is collecting the consideration on its own account, it shall measure its revenue as the gross consideration allocated to the award credits and recognise the revenue when it fulfils its obligations in respect of the awards.

The Group has adopted IFRIC Interpretation 13 from January 1, 2009. The management of the Group believes that the adoption of this interpretation has not made any material impact on the consolidated financial statements.

- h) There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

- 3.3 IFRS 8 'Operating segments', (effective from January 1, 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by SBP.

#### 3.4 Standards, interpretations and amendments to published approved accounting standard that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2010:

IFRIC Interpretation 17 'Distribution of Non-cash Assets to Owners' was issued in November 2008 and is applicable for financial years beginning on or after July 1, 2009. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. At present, the management believes that the afore-mentioned interpretation is not expected to have any impact on the Group's consolidated financial statements.

IFRIC Interpretation 18 'Transfers of assets from customers' was issued in January 2009 and is applicable for financial years beginning on or after July 1, 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. At present, the management believes that the afore-mentioned interpretation is not expected to have any impact on the Group's consolidated financial statements.

Revised IFRS 3, "Business Combinations" applicable for financial years beginning on or after July 1, 2009 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition by acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010.

IAS 27 (Revised), "Consolidated and Separate Financial Statements" applicable for financial years beginning on or after July 1, 2009 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from January 1, 2010.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 or later periods but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not disclosed in these consolidated financial statements.

### 3.5 Early adoption of standards

The Group did not early adopt new or amended standards in 2009.

## 4 BASIS OF MEASUREMENT

### 4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, and held for trading and available for sale investments and derivative financial instruments are measured at fair value.

The consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency. The amounts are rounded to nearest thousand.

### 4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4 and 10)
- iii) income taxes (notes 5.9 and 30)
- iv) accounting for defined benefit plan (notes 5.10 and 35)

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### 5.1 Cash and cash equivalents

Cash and cash equivalents comprises cash and balances with treasury bank, balances with other banks and call lendings for the purpose of the cash flow statement.

### 5.2 Sale and repurchase agreements

The Group enters into arrangements for purchase / (sale) of investments under agreements to resell / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resell them at a future date (reverse repo) are not recognized, as the Group does not obtain control over the assets. The amounts paid are recognized as lendings to financial institutions.

Investments sold under repurchase agreements (repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds received are reported in borrowings.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

### 5.3 Investments

The Group classifies its investments as follows:

#### Held for trading

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

#### Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Group has the positive intent and ability to hold them till maturity.

#### Available for sale

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

#### Associates

Associates are all entities over which the Group has a significant influence but not control. Investments in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves is recognised in reserves. Increase / decrease in share of profits and losses of associates is accounted for in the consolidated profit and loss account. The Group applies the equity accounting method for its investment in the mutual funds managed by Alfalah GHP Investment Management Limited.

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

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are 'held for trading' is taken to the profit and loss account. In accordance with the requirements specified by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortized cost.

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

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

Gains or losses on disposals of investments during the year are taken to the consolidated profit and loss account.

## 5.4 Advances

### Loans and advances

Loans and advances including net investment in finance lease are stated net of provisions against non-performing advances. Specific and general provisions against Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

### Ijarah

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

### Murabaha

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer a shariah compliant asset / goods for cost plus a pre-agreed profit. In principle on the basis of an undertaking (promise to purchase) from the client, the Bank purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof. However, the Bank can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client a cost plus the profit agreed upon in the promise.

Murabaha transactions are accounted for at gross receivable net of specific and general provisions. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time.

## 5.5 Fixed assets

### Tangible Assets

Fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Office premises (which includes land and buildings) is stated at revalued amount less accumulated depreciation.

Depreciation is charged to income applying the straight-line method using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed of.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Office premises are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gain and losses on disposal of fixed assets are taken to the profit and loss account except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

### Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

**5.6 Capital work in progress**

Capital work in progress is stated at cost less impairment losses, if any.

**5.7 Non-Current Assets Held for Sale**

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through the consolidated profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

**5.8 Impairment**

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

**5.9 Taxation**

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

**Current**

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

**Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**5.10 Employee benefits****Defined Benefit Plan**

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with the Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains / losses in excess of 10 percent of the higher of actuarial liabilities or plan assets at the end of the last reporting year are recognized over the average lives of employees.

Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.



**Defined Contribution Plan**

The Bank operates a recognised provident fund scheme for all its permanent employees to which equal monthly contributions are made both by the Bank and employees at the rate of 8.33 percent of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

**5.11 Borrowings / deposits and their cost**

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

**5.12 Provisions**

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to profit and loss account is stated net-of expected recoveries.

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

**5.13 Acceptances**

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

**5.14 Revenue recognition****Advances and investments**

Mark-up income on loans and advances, debt securities investments and profit on murabaha and musharika financing are recognised on a time proportion basis. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Dividend income is recognized at the time when the Group's right to receive the dividend has been established.

**Lease financing / Ijarah**

Financing method is used in accounting for income from lease financing. Under this method, the unrealised 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 period so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income when they are realised.

Unrealised lease income and mark-up / return on non-performing advances are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

Profit on Murabaha is recognized on time apportioned basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the later date.

**Fee, commission and brokerage**

Fee, commission and brokerage income except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis.



**5.15 Foreign currency translation****Functional and Presentation currency**

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

**Transactions and Balances**

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on such contracts is amortized over the term of the contracts.

**Commitments**

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

**Foreign Operations**

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the balance sheet date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

**5.16 Derivative Financial Instruments**

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

**5.17 Off-setting**

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

**5.18 Dividend and appropriation to reserves**

Dividend and appropriation to reserves, except appropriations which are required under the law, after the balance sheet date, are recognised as a liability in the Group's financial statements in the year in which these are approved.

**5.19 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 Bank by the weighted average number of ordinary shares outstanding during the 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.

**5.20 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. The Bank's primary format of reporting is based on business segments.

**Business segments**

**Trading and sales**

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

**Retail Banking**

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

**Commercial banking**

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

**Corporate finance**

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

**Geographical segments**

The Group operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2009	2008
(Rupees in '000)			
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency (including in transit Rs. 111.395 million, 2008: Rs. 114.565 million)		5,129,059	6,335,738
Foreign currency (including in transit Rs. 3.387 million, 2008: Rs. 186.546 million)		1,776,454	2,999,128
<b>With State Bank of Pakistan in</b>			
Local currency current account	6.1	13,144,926	11,392,141
Foreign currency current account	6.2	1,993,089	1,399,973
Foreign currency deposit account	6.3	4,867,497	3,605,236
<b>With other central banks in</b>			
Foreign currency current account		3,637,025	2,108,534
Foreign currency deposit account	6.4	2,503,364	2,240,700
<b>With National Bank of Pakistan in</b>			
Local currency current account		1,984,180	2,590,762
<b>National Prize Bonds</b>		20,431	15,130
		<u>35,056,025</u>	<u>32,687,342</u>

- 6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.
- 6.2 As per BSD Circular No. 9 dated 03 December, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 6.3 Special cash reserve of 15% is required to be maintained with State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated 21 June, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. During the year this deposit was not remunerated (2008: 0.90% to 3.4% per annum).
- 6.4 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2009 (Rupees in '000)	2008
<b>7 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current account		768,349	607,763
On deposit account	7.1	3,480,067	3,854,287
Outside Pakistan			
On current account	7.2	6,133,950	8,161,367
On deposit account	7.3	12,340,561	8,961,185
		<u>22,722,927</u>	<u>21,584,602</u>

- 7.1 This represents funds deposited with various banks at profit rates ranging from 5.00% to 13.25% per annum (2008: 10.00% to 19.00% per annum).
- 7.2 This includes amount held in Automated Investment Plans. The balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.
- 7.3 This includes placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.12% to 1.62% per annum (2008: 0.45% to 7.00% per annum) with maturities upto July 2010 (2008: July 2009).

## 8 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	3,710,396	3,315,500
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	11,237,039	-
		<u>14,947,435</u>	<u>3,315,500</u>

- 8.1 These represent short term lendings to financial institutions at interest rates upto 13.40% per annum (2008: 14.50% per annum) with maturities upto February 2010 (2008: April 2009).

### 8.2 Particulars of lendings to financial institutions

In local currency		12,293,039	375,000
In foreign currencies		2,654,396	2,940,500
		<u>14,947,435</u>	<u>3,315,500</u>

- 8.3 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 11.75% to 13.20% per annum (2008: Nil) and have a maturity period of upto February 2010 (2008: Nil).

8.4 Securities held as collateral against lendings to financial institutions

Note	2009			2008		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	-----Rupees in '000-----					
Market Treasury Bills	10,151,518		10,151,518	-	-	-
Pakistan Investment Bonds	1,085,521		1,085,521	-	-	-
	11,237,039	-	11,237,039	-	-	-

9 INVESTMENTS

9.1 Investments by types:

	2009			2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	-----Rupees in '000-----					
<b>Held-for-trading securities</b>						
Fully paid up ordinary shares / units - Listed	254,586	-	254,586	11,267	-	11,267
<b>Available-for-sale securities</b>						
Market Treasury Bills	25,499,281	9,511,711	35,010,992	25,350,662	4,848,492	30,199,154
Pakistan Investment Bonds	5,675,361	-	5,675,361	458,280	59,501	517,781
Fully paid up ordinary shares / units - Listed	2,714,027	-	2,714,027	4,274,461	-	4,274,461
Fully paid up ordinary shares / units - Unlisted	129,821	-	129,821	129,821	-	129,821
Term Finance Certificates	1,788,368	-	1,788,368	1,388,391	-	1,388,391
Sukuk Bonds	8,074,900	-	8,074,900	2,099,877	-	2,099,877
	43,881,758	9,511,711	53,393,469	33,701,492	4,907,993	38,609,485
<b>Held-to-maturity securities</b>						
Government Bonds	-	-	-	85,341	-	85,341
Market Treasury Bills	11,240,946	-	11,240,946	13,991,810	-	13,991,810
Pakistan Investment Bonds	4,084,310	-	4,084,310	5,220,710	-	5,220,710
Term Finance Certificates	18,069,620	-	18,069,620	9,102,204	-	9,102,204
Overseas Government Treasury Bills	438,074	-	438,074	-	-	-
Pakistan Dollar Bond	384,633	-	384,633	357,199	-	357,199
Credit Linked Note	421,208	-	421,208	395,492	-	395,492
Overseas Bonds	1,626,726	-	1,626,726	57,339	-	57,339
Preference Shares	277,431	-	277,431	303,894	-	303,894
Sukuk Bonds	4,020,093	-	4,020,093	3,562,050	-	3,562,050
	40,563,041	-	40,563,041	33,076,039	-	33,076,039
<b>Associates</b>						
Warid Telecom (Private) Limited	3,106,641	-	3,106,641	4,251,037	-	4,251,037
Wateen Telecom Limited	562,096	-	562,096	684,696	-	684,696
Alfalsh Insurance Limited	87,828	-	87,828	62,153	-	62,153
Alfalsh GHP Value Fund	147,590	-	147,590	99,942	-	99,942
Alfalsh GHP Income Multiplier Fund	586,295	-	586,295	527,037	-	527,037
Alfalsh GHP Islamic Fund	316,016	-	316,016	213,288	-	213,288
Alfalsh GHP Investment Management Limited	154,726	-	154,726	128,988	-	128,988
	4,961,192	-	4,961,192	5,967,141	-	5,967,141
<b>Investments at cost</b>	89,660,577	9,511,711	99,172,288	72,755,939	4,907,993	77,663,932
<b>Less: Provision for diminution in value of investments</b>	9.20	(249,158)	(249,158)	(1,442,619)	-	(1,442,619)
<b>Investments (net of provisions)</b>	89,411,419	9,511,711	98,923,130	71,313,320	4,907,993	76,221,313
<b>Surplus on revaluation of held-for-trading securities - net</b>	9.22	1,934	1,934	217	-	217
<b>Surplus / (Deficit) on revaluation of available-for-sale investments - net</b>	21.2	367,766	(13,392)	354,374	(153,600)	(204,245)
<b>Total investments</b>	89,781,119	9,498,319	99,279,438	71,159,937	4,857,348	76,017,285

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Note	2009	2008
(Rupees in '000)			
<b>9.2 Investments by segments:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	9.4	46,251,938	44,190,964
- Pakistan Investment Bonds	9.5	9,759,671	5,738,491
- Government Bonds		-	85,341
- Overseas Government Treasury Bills	9.6	438,074	-
- Overseas Government Bonds	9.7	1,601,020	-
- Sukuk Bonds	9.8	10,241,158	4,245,730
- Pakistan Dollar Bond	9.9	384,633	357,199
		<b>68,676,494</b>	<b>54,617,725</b>
<b>Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates:</b>			
- Listed companies / mutual funds	9.10	2,968,613	4,285,728
- Un-listed companies	9.11	129,821	129,821
- Preference Shares	9.12	277,431	303,894
		<b>3,375,865</b>	<b>4,719,443</b>
<b>Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates:</b>			
- Listed TFCs	9.13	1,458,428	1,070,931
- Un-listed TFCs	9.14	18,399,560	9,419,664
- Sukuk Bonds	9.15	1,853,835	1,416,197
- Overseas Bonds	9.16	25,706	57,339
- Credit Linked Note	9.17	421,208	395,492
		<b>22,158,737</b>	<b>12,359,623</b>
<b>Investment in associates</b>	9.18	<b>4,961,192</b>	<b>5,967,141</b>
<b>Total investments at cost</b>		<b>99,172,288</b>	<b>77,663,932</b>
Provision for diminution in value of investments	9.20	(249,158)	(1,442,619)
Surplus / (Deficit) on revaluation of held-for-trading securities - net	9.22	1,934	217
Surplus / (Deficit) on revaluation of available-for-sale securities - net	21.2	354,374	(204,245)
<b>Total investments</b>		<b>99,279,438</b>	<b>76,017,285</b>

9.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.4 Market Treasury Bills are for the periods of six months and one year. The effective rates of profit on Market Treasury Bills range between 11.50% to 13.25% per annum (2008: 10.01% to 14.01% per annum) with maturities upto December 2010 (2008: October 2009).

9.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten and fifteen years. The rates of profit range from 8.00% to 14.00% per annum (2008: 7.00% to 14.00% per annum) with maturities from December 2010 to September 2019 (2008: April 2009 to June 2019). These also include PIBs having face value of Rs. 35 million (2008: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.

9.6 This represents Overseas Government Treasury Bills amounting to BDT 359.230 million issued by the Government of Bangladesh. These carry interest at rates ranging from 2.00% to 8.60% per annum (2008 : Nil) and are due for maturity in March 2010.

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

- 9.7 These represent Overseas Government Bonds issued by the Government of Afghanistan and the Government of Bangladesh amounting to AFA 876.903 million (2008: Nil) and BDT 66.700 million (2008: Nil) respectively. The rates of profit on Government of Afghanistan bond ranges from 7.20% to 7.58% per annum (2008: Nil) while Government of Bangladesh bond carries profit at 10.60% per annum (2008: Nil). The bonds have maturities upto March 2014.
- 9.8 This represents sukuk bonds of Rs. 1,738.133 million issued by Water and Power Development Authority (WAPDA) for a period of ten years and ijara sukuk of Rs. 8,503.025 million issued by the State Bank of Pakistan for a period of three years. The rates of profit on these bonds ranges between 11.67% to 12.97% per annum (2008: 9.79% to 14.50% per annum) and between 11.67% to 12.92% per annum (2008: 12.99% to 14.76%) respectively.
- 9.9 This represents Pakistan Dollar Bonds of US Dollar 5.000 million issued by the Government of Pakistan. These bonds carry interest at 7.125% (2008: 7.125%) per annum and are due for maturity in March 2016 (2008: March 2016).

### 9.10 Particulars of investments in listed companies / mutual funds include the following:

2009	2008		2009	2008
(Number of shares / certificates / units)			(Rupees in '000)	
		<b>MUTUAL FUNDS</b>		
971,870	971,870	AKD Income Fund	41,850	50,000
-	1,230,471	AKD Opportunity Fund	-	80,000
327,549	327,549	AMZ Plus Income Fund	35,000	35,000
-	152,973	Askari Asset Allocation Fund	-	15,000
729,161	729,161	Askari Income Fund	75,000	75,000
97,653	97,653	Atlas Income Fund	50,435	50,435
258,652	258,652	Dawood Money Market Fund	18,754	25,000
685,537	685,537	First Habib Income Fund	70,000	70,000
488,180	488,180	IGI Income Fund	49,958	49,958
502,821	502,821	JS Aggressive Income Fund	50,695	50,695
967,525	967,525	JS Income Fund (formerly UTP - Income Fund)	100,079	100,079
487,435	487,435	KASB Liquid Fund	50,000	50,000
-	108,892	KASB Stock Market Fund	-	5,000
1,397,156	1,397,156	MCB Dynamic Cash Fund	145,167	145,167
2,500,000	2,500,000	Meezan Balanced Fund	9,500	25,000
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
41,931,941	41,931,941	NAFA Cash Fund	450,000	450,000
1,523,635	1,523,635	NAFA Stock Fund	10,952	20,000
15,000,000	15,000,000	Pak Oman Advantage Fund	150,000	150,000
-	1,009,627	Pak Oman Bank of Punjab Advantage Plus Fund	-	51,771
600,000	600,000	Pak Oman Islamic Fund	30,000	30,000
1,043,260	1,043,260	Pakistan Capital Market Fund	9,882	9,882
1,949,240	1,949,240	Pakistan Income Fund	100,000	100,000
-	3,033,125	Pakistan Premier Fund Limited	-	36,555
400,000	400,000	Pakistan Strategic Allocation Fund	912	4,000
-	520,000	PICIC Growth Fund	-	18,633
1,893,952	1,893,952	Reliance Income Fund	100,000	100,000
504,951	504,951	United Islamic Income Fund	50,000	50,000
1,960,033	1,952,647	United Money Market Fund	200,239	200,239
-	49,441	United Stock Advantage Fund	-	5,000
-	545,136	UTP - Capital Protected Fund II	-	50,000
-	181,325	UTP A30+ Fund	-	10,000
		<b>INSURANCE</b>		
75,000	-	Adamjee Insurance Company Limited	9,317	-
		<b>SYNTHETIC AND RAYON</b>		
25,000	25,000	Dewan Salman Fibre Limited	188	188



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2009	2008		2009	2008
(Number of shares / certificates / units)			(Rupees in '000)	
		<b>INVESTMENT COMPANIES &amp; BANKS</b>		
75,000	-	Allied Bank Limited	4,545	-
358,972	358,972	Arif Habib Investment Limited	9,297	44,871
263,067	221,875	Arif Habib Securities Limited	12,559	16,394
1,310,000	2,993,000	Askari Bank Limited	15,269	193,406
-	750,000	Bank Al Habib Limited	-	46,281
175,000	175,000	J.S Bank Limited	1,005	1,750
225,000	-	Jahangir Siddiqui & Company Limited	6,802	-
2,667,640	2,667,640	KASB Securities Limited	93,794	180,066
-	165,000	MCB Bank Limited	-	38,899
1,242,591	1,305,000	National Bank of Pakistan	98,982	257,147
1,953,000	1,953,000	NIB Bank Limited	9,121	41,683
3,403,000	-	Samba Bank Limited	10,924	-
100,125	100,125	The Bank of Punjab	1,327	2,485
50,000	145,000	United Bank Limited	3,051	9,896
		<b>CEMENT</b>		
7,640,000	-	Al-Abbas Cement Company Limited	50,118	-
-	215,000	D.G.Khan Cement Limited	-	8,445
5,378,252	350,000	Fauji Cement Company Limited	34,592	2,045
121,770	167,200	Fecto Cement Limited	1,793	9,701
562,375	255,000	Lucky Cement Limited	34,175	14,731
50,250	50,250	Dewan Cement Limited	827	827
3,000	3,000	Dadabhoy Cement Industries Limited	20	20
		<b>SUGAR AND ALLIED INDUSTRY</b>		
2,000	-	Colony Sugar Mills Limited	78	-
		<b>FUEL, ENERGY, OIL &amp; GAS</b>		
2,151,544	2,203,500	Kohinoor Energy Limited	41,417	70,990
500,000	-	Kot Addu Power Company Limited	22,525	-
1,000,000	2,201,200	Oil and Gas Development Company Limited	106,260	248,991
424,000	530,760	Pakistan Oilfields Limited	81,448	136,784
268,594	726,000	Pakistan Petroleum Limited	47,632	162,869
100,007	85,007	Pakistan State Oil Company Limited	28,760	22,730
9,923,500	9,383,500	Southern Electric Power Company Limited	29,170	64,725
3,000,000	3,150,000	The Hub Power Company Limited	94,210	89,398
		<b>AUTOMOBILE ASSEMBLERS</b>		
-	54,863	Indus Motor Company Limited	-	15,392
480	480	Agriauto Industries Limited	17	17
		<b>TEXTILE</b>		
170,000	-	Azgard Nine Limited	3,553	-
1,318,710	1,318,710	Hira Textile Mills Limited	2,980	16,484
100,000	150,000	Nishat Mills Limited	6,842	7,006
484	484	Nakshbandi Industries Limited	4	4
128	128	Yousuf Weaving Mills Limited	1	1
		<b>TECHNOLOGY &amp; COMMUNICATION</b>		
2,480,000	250,000	Pakistan Telecommunication Company Limited	49,012	3,375
804,000	804,000	Telecard Limited	1,600	2,975
1,601,337	1,601,337	Worldcall Telecom Limited	4,756	12,490
		<b>CHEMICALS &amp; FERTILIZERS</b>		
17,810	20,000	Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	3,232	3,609
605,000	5,030,000	Fauji Fertilizer Bin Qasim Limited	15,134	185,298
1,297,200	500,000	Fauji Fertilizer Company Limited	135,177	62,685
25,000	25,000	ICI Pakistan Limited	4,092	3,175
207,000	-	Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	1,586	-
		<b>STEEL &amp; ALLIED</b>		
1,118,263	1,100,000	Crescent Steel & Allied Products Limited	29,087	80,954
		<b>MISCELLANEOUS</b>		
2,225,086	2,147,000	Pace Pakistan Limited	12,831	62,997
10,000	10,000	Tri- Pack Limited	1,080	1,530
			<b>2,968,613</b>	<b>4,285,728</b>



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

			2009	2008
			(Rupees in '000)	
<b>9.11 Investments in unlisted companies</b>				
2009	2008			
(Number of shares)				
572,531	572,531	<b>Pakistan Export Finance Guarantee Agency Limited</b> Chief Executive: Mr. S. M. Zaem Break-up value per share: Rs. 2.06 Period of financial statements: December 31, 2008	5,725	5,725
16	16	<b>Society for Worldwide Interbank Financial Telecommunication</b> Chief Executive: Mr. Lazaro Campos Break-up value per share: Rs. 286,025.71 Period of financial statements: December 31, 2008	4,096	4,096
7,000,000	7,000,000	<b>Al-Hamra Hills (Private) Limited</b> Chief Executive: Mr. Habib Rafiq Break-up value per share: Rs. 9.47 Period of financial statements: June 30, 2009 (Un-audited)	70,000	70,000
5,000,000	5,000,000	<b>Al-Hamra Avenue (Private) Limited</b> Chief Executive: Mr. Habib Rafiq Break-up value per share: Rs. 9.54 Period of financial statements: June 30, 2009 (Un-audited)	50,000	50,000
			<u>129,821</u>	<u>129,821</u>

**9.12 Investments in preference shares**

		2009	2008
		(Rupees in '000)	
Investee company	Redemption terms		
STS Holdings Limited	Semi annual redemptions over 5 years ending in 2011	60,973	57,340
BRAC Bank	Annual redemptions over 5 years ending in 2012	121,948	114,680
United Hospitals Limited	Annual redemptions over 5 years ending in 2011	94,510	131,874
		<u>277,431</u>	<u>303,894</u>

**9.13 Particulars of Term Finance Certificates - Quoted, Secured**

<b>Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)</b>		<b>99,840</b>	<b>99,880</b>
20,000 (2008: 20,000) units of Rs. 5,000 each			
Mark up:	Average Six Months KIBOR (Ask Side) + 150 basis points per annum (no floor no cap)		
Redemption:	The TFC is structured to redeem 0.02 percent of principal semi-annually in the first ninety months and remaining principal at maturity.		
Maturity:	Eight years from date of disbursement i.e. October 31, 2013		
Rating:	AA- (PACRA)		
Chief Executive:	Mr. Mohammad Rafiquddin Mehkari		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Standard Chartered Bank (Pakistan) Limited - (3rd Issue)</b>	<b>49,930</b>	<b>49,950</b>
10,000 (2008: 10,000) units of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 200 basis points prevailing one working day prior to the beginning of each semi-annual period.		
Redemption: A nominal amount i.e. 0.16 percent of the issue amount will be re-paid equally in each of the redemption periods during the first four years.		
Maturity: Seven years from the date of issue i.e. February 1, 2013		
Rating: AAA (PACRA)		
Chief Executive: Mr. Badar Kazmi		
<b>Bank Al Habib Limited</b>	<b>46,657</b>	<b>46,675</b>
9,350 (2008: 9,350) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.50 percent per annum with a floor of 3.50 percent and a cap of 10.00 percent per annum		
Redemption: The TFC is structured to redeem 0.25 percent of principal semi-annually in the first seventy-eight months and the remaining principal in three semi-annual installments of 33.25 percent respectively starting from the eighty-fourth month.		
Maturity: July 2012		
Rating: AA (PACRA)		
Chief Executive: Mr. Abbas D. Habib		
<b>The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)</b>	<b>2,885</b>	<b>2,887</b>
578 (2008: 578) units of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 190 basis points (no floor no cap)		
Redemption: The TFC is structured to redeem 97.92 percent of principal in four annual installments after a grace period of fifty-four months. The remaining principal is to be redeemed in semi annual installments during the tenor of the TFC.		
Maturity: Eight years from the date of disbursement i.e. February 2013.		
Rating: AA- (PACRA)		
Chief Executive: Mr. Shehzad Naqvi		
<b>Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)</b>	<b>-</b>	<b>11,136</b>
Nil (2008: 11,136) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 3.00 percent per annum with a floor of 6.00 percent and a cap of 10.00 percent per annum		
Redemption: Principal repayment in ten equal semi-annual installments; profit payable on semi-annual basis.		
Maturity: July 2009		
Rating: A (PACRA)		
Chief Executive: Mr. Humayun Nabi Jan		

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	2009	2008
	(Rupees in '000)	
<b>Allied Bank Limited</b>	<b>38,384</b>	38,399
7,686 (2008: 7,686) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.90 percent per annum (no floor no cap)		
Redemption: The instrument is structured to redeem 0.24 percent of principal in the first seventy-two months and the remaining principal in four equal semi-annual installments of 24.94 percent each of the issue amount respectively starting from the seventy-eighth month.		
Maturity: September 2014		
Rating: AA- (JCR - VIS)		
Chief Executive: Mr. Aftab Manzoor		
<b>Pakistan Mobile Communication (Private) Limited</b>	<b>399,440</b>	399,600
80,000 (2008: 80,000) units of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 285 basis points per annum		
Redemption: The instrument is structured to redeem 0.02 percent of principal semi-annually in the first forty-eight months and remaining amount in six semi-annual installments.		
Maturity: Seven years from the date of issue i.e. May 31, 2013		
Rating: AA- (PACRA)		
Chief Executive: Mr. Rashid Khan		
<b>ORIX Leasing Pakistan Limited</b>	<b>154,044</b>	184,889
37,000 (2008: 37,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.50 percent per annum (no floor no cap)		
Redemption: The instrument is structured to redeem 0.08 percent of principal in the first twenty-four months in four equal semi-annual installments and the remaining 99.22 percent of the principal would be redeemed during the last thirty-six months in six equal semi-annual installments.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Humayun Murad		
<b>Jahangir Siddiqui &amp; Company Limited</b>	<b>49,940</b>	49,960
10,000 (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 2.50 percent with a floor of 6.00 percent and a cap of 16.00 percent per annum.		
Redemption: The instrument is structured to redeem 0.18 percent of principal in the first fifty-four months, 49.91 percent in the sixtieth month and the remaining 49.91 percent in the last six months.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Munaf Ibrahim		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Azgard Nine Limited</b>	-	12,500
Nil (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.75 percent per annum		
Redemption: Eight equal semi-annual installments commencing from eighteenth month of the issue date; the issuer has a Call Option exercisable at profit payment date to redeem in full or in part the outstanding issue amount of the TFCs.		
Maturity: August 2009		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Financial Receivables Securitization Company Limited</b>	67,368	75,075
15,792 (2008: 15,792) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 2.00 percent per annum with a floor of 8.00 percent and a cap of 16.00 percent per annum.		
Redemption: Principal redemption will be carried out in twelve and eight equal semi-annual installments in arrears, with a grace period of one year and three years for Class A TFCs and Class B TFCs respectively.		
Maturity: January 2014		
Rating: A+ (PACRA)		
Chief Executive: Mr. S. M. Nasir Raza		
<b>Pak Arab Fertilizers Limited</b>	99,940	99,980
20,000 (2008: 20,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.50 percent per annum		
Redemption: Principal redemption in six stepped-up semi-annual installments starting from the issue date; the issuer may call the TFC in part or full on any profit payment date subject to thirty days prior notice.		
Maturity: Five years from the issue date i.e. February 28, 2013		
Rating: AA (PACRA)		
Chief Executive: Mr. Fawad Ahmed Mukhtar		
<b>Askari Bank Limited TFC-3</b>	450,000	-
90,000 (2008: Nil) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR plus 2.50 percent (for one to five years)		
Average Six Months KIBOR plus 2.95 percent (for six to ten years)		
Redemption: This instrument is structured to redeem 0.32 percent of total issue amount in the first ninety six months after issuance i.e. September 28, 2009 and remaining issue amount in four equal semi-annual installments of 24.92 percent each, starting from the 102nd month after the issuance.		
Maturity: August 2019		
Rating: AA- (PACRA)		
Chief Executive: Mr. Mohammad Rafiquddin Mehkari		
	<u>1,458,428</u>	<u>1,070,931</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>9.14 Particular of Term Finance Certificates - Unquoted, Secured</b>		
<b>Gulshan Spinning Mills Limited</b>	-	14,277
Nil (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.80 percent per annum with a cap of 15.00 percent per annum.		
Redemption: Seven equal semi-annual installments commencing from June 2006		
Maturity: June 2009		
Chief Executive: Mr. Naseer Ahmed		
<b>Paramount Spinning Mills Limited</b>	-	22,843
Nil (2008: 16,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.80 percent per annum with a floor of 8.00 percent per annum.		
Redemption: Seven equal semi-annual installments commencing from June 2006		
Maturity: June 2009		
Chief Executive: Mr. Tanveer Ahmad		
<b>Pakistan International Airlines Corporation</b>	-	354,153
Nil (2008: 100,000) certificates of Rs. 5,000 each		
Mark up: SBP discount rate + 0.50 percent per annum with a floor of 8.00 percent per annum		
Redemption: First four equal semi-annual installments commencing from August 2003 amounting to Rs. 5,000 each. Next six equal semi-annual installments commencing from August 2005 amounting to Rs. 12,499,500 each, subsequent six equal semi-annual installments commencing from August 2008 amounting to Rs. 70,830,500 each; the issuer has a Call Option exercisable any time at 24th, 48th and 72nd month to redeem in full or part with a premium.		
Maturity: February 2011		
Chief Executive: Captain Muhammad Aijaz Haroon		
<b>Crescent Leasing Corporation Limited (2nd Issue)</b>	-	10,000
Nil (2008: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.75 percent per annum		
Redemption: Ten equal semi-annual installments commencing from January 2005; the issuer has a Call Option exercisable at any time from the beginning of the 19th month till the end of the 16th month from the issue date only on a profit payment date subject to a 30 day notice period.		
Maturity: July 2009		
Chief Executive: Syed Shahnawaz Ahmed Rizvi		
<b>Pakistan Mobile Communication (Private) Limited</b>	200,000	200,000
40,000 (2008: 40,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.30 percent per annum		
Redemption: In two equal semi annual installments starting from the 30th month from the date of issue i.e. October 2007. The issuer will have a Call Option to redeem in full or part the outstanding face value of the TFCs on every installment date.		
Maturity: September 2010		
Chief Executive: Mr. Rashid Khan		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Pakistan Mobile Communication (Private) Limited (2nd Issue)</b>	-	30,000
Nil (2008: 30,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.60 percent per annum with a floor of 4.95 percent and a cap of 12.00 percent per annum		
Redemption: Five equal semi-annual installments commencing from March 2007; the issuer has a Call Option exercisable any time from the 36th month to 54th month on a coupon date subject to 30 days notice period to repay in whole or in part.		
Maturity: September 2009		
Chief Executive: Mr. Rashid Khan		
<b>Pak American Fertilizers Limited (formerly known as Dominion Fertilizers (Private) Limited)</b>	499,700	499,900
100,000 (2008: 100,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 325 basis point per annum (no floor no cap)		
Redemption: Redemption after a grace period of one year in 24 equal quarterly installments. The issuer has a Call Option exercisable from six months from the date of disbursement at any mark-up payment date subject to a prepayment amount of at least Rs. 500 million or in multiples thereof in its entirety.		
Maturity: 7 years from the date of disbursement i.e. July 2013.		
Chief Executive: Mr. Ahmed Jaudet Bilal		
<b>BYCO Petroleum Pakistan Limited (formerly known as Bosicor Pakistan Limited)</b>	-	28,571
Nil (2008: 20,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 5.50 percent per annum with a floor of 9.00 percent and a cap of 13.00 percent per annum payable semi-annually.		
Redemption: Seven equal semi-annual installments commencing from August 2006; the issuer has a Call Option exercisable at any time from the 1st principal repayment date (i.e. starting from the 24th month) onwards on a coupon date subject to a 60 days notice period to repay in whole or in part.		
Maturity: September 2009		
Chief Executive: Mr. Amir Abbasciy		
<b>Jahangir Siddiqui &amp; Company Limited</b>	99,920	99,960
20,000 (2008: 20,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.70 percent per annum		
Redemption: The instrument is structured to redeem 0.20 percent of principal in the first 60 months and remaining principal in two equal semi-annual installments of 49.90 percent each of the issue amount respectively from 60th month; the issuer has a Call Option exercisable in full at any time after 1 year on a coupon date.		
Maturity: July 2013		
Chief Executive: Mr. Munaf Ibrahim		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Khunja Textile Mills Limited</b>	<b>30,000</b>	<b>30,000</b>
6,000 (2008: 6,000) certificates of Rs. 5,000 each		
Mark-up: Average Six Months KIBOR + 3.00 percent per annum		
Redemption: 10 equal semi-annual installments commencing from the 24th months from first draw down.		
Maturity: April 2014		
Chief Executive: Mr. Manzoor Ahmed Mir		
<b>First Dawood Investment Bank Limited</b>	<b>30,000</b>	<b>30,000</b>
6,000 (2008: 6000) certificates of Rs. 5,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 1.60 percent per annum		
Redemption: Bullet payment at maturity		
Maturity: September 2012		
Chief Executive: Mr. Abdus Samad Khan		
<b>Azgard Nine Limited</b>	<b>99,940</b>	<b>99,960</b>
19,996 (2008: 19,996) certificates of Rs. 5,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 2.25 percent per annum.		
Redemption: The instrument is structured to redeem 0.02 percent of principal semi-annually in the first 12 months and remaining amount in 10 semi-annual installments.		
Maturity: December 2014		
Chief Executive: Mr. Ahmed H. Shaikh		
<b>Gujranwala Electric Power Company Limited (GEPCO) - note 9.14.1</b>	<b>4,000,000</b>	<b>4,000,000</b>
40,000 (2008: 40,000) certificates of Rs. 100,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after a grace period of one year.		
Maturity: February 2013		
Chief Executive: Muhammad Ibrahim Majoka		
<b>Faisalabad Electric Supply Company Limited (FESCO) - note 9.14.1</b>	<b>4,000,000</b>	<b>4,000,000</b>
40,000 (2008: 40,000) certificates of Rs. 100,000 each		
Mark-up: Average Six Months KIBOR (Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after a grace period of one year		
Maturity: February 2013		
Chief Executive: Mr. Tanwir Safder Cheema		
<b>National Transmission and Despatch Company</b>	<b>4,000,000</b>	<b>-</b>
800,000 (2008: Nil) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 1.75 percent per annum		
Redemption: In 6 equal semi annual installments, after completion of grace period. First principal payment due at the end of 30th month from the first disbursement.		
Maturity: March 2014		
Chief Executive: Mr. Tariq Qazi		



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>Power Holding (Private) Limited</b>	<b>5,440,000</b>	-
1,088,000 (2008: Nil) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR + 2.00 percent per annum		
Redemption: In 6 equal semi annual installments, after completion of grace period. First principal payment due at the end of 30th month from the first disbursement.		
Maturity: September 2014		
Chief Executive: Mr. Shahid Rafi		
	<b>18,399,560</b>	<b>9,419,664</b>

9.14.1 The Government of Pakistan (GoP) has decided to assume bank loan liabilities of Pakistan Electric Power Company with effect from July 1, 2009. GoP will make arrangement of payment of mark up on these liabilities to lending financial institutions. Pursuant to this decision, the Finance Division of GoP is in the process of finalising modalities for transfer of these liabilities (which include the term finance certificates of GEPCO and FESCO) from the books of power companies to Power Holding (Private) Limited. Accordingly, GEPCO and FESCO have now become fully absolved of these liabilities and the Federal Government will make arrangements for repayment of these term finance certificates. The first installment of principal redemption amounting to Rs. 500 million each which was due from GEPCO and FESCO respectively in August 2009 has not been paid to date and will now be settled by the GoP.

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Unit	2009	2008
				(Rupees in '000)	
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1.00 percent	59,740	298,700	298,700
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	25,000	62,500	93,750
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	38,000	158,334	190,000
Security Leasing Corporation Limited	September 2013	6 months KIBOR plus 1.95 percent	20,000	75,000	100,000
Kohat Cement Company Limited	December 2012	6 months KIBOR plus 1.80 percent	20,000	96,600	94,600
Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	Note 9.15.1	42,272	42,272
BRR Guardian Modaraba	June 2014	6 months KIBOR plus 1.30 percent	20,000	100,000	100,000
K. S. Sulemanji Esmailji & Sons (Private) Limited	June 2015	3 months KIBOR plus 1.30 percent	20,000	95,000	100,000
Sitara Peroxide (Private) Limited	August 2014	3 months KIBOR plus 1.10 percent	60,000	300,000	300,000
Liberty Power Tech Ltd	March 2021	3 months KIBOR plus 3.00 percent	Note 9.15.2	205,304	-
Amreli Steel (Private) Limited	December 2016	3 months KIBOR plus 2.50 percent	Note 9.15.3	250,000	-
Security Leasing Corporation Limited	June 2012	6 months KIBOR plus 2.00 percent	5,000	15,625	21,875
Security Leasing Corporation Limited	September 2012	6 months KIBOR plus 1.95 percent	15,000	56,250	75,000
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	September 2015	6 months KIBOR plus 1.50 percent	20,000	98,250	-
				<b>1,853,835</b>	<b>1,416,197</b>

9.15.1 This represents advance payment to Sitara Energy Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2009.

9.15.2 This represents advance payment to Liberty Power Tech Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2009.

9.15.3 This represents conversion of loan amount into sukuk bonds. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2009.

9.16 This represents overseas bonds amounting to BDT 21.080 million issued by IDLC in Bangladesh. These bonds carry interest at 14.09% per annum and are due for maturity in December 2011.

9.17 This represents Credit Linked Note amounting to US Dollar 5.000 million issued by Standard Chartered Bank. The bond carries interest at 3 months LIBOR plus 350 bps and is due for maturity in March 2013.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

			2009	2008
			(Rupees in '000)	
<b>9.18 Particulars of investments in associates</b>				
The paid up value of these shares / units is Rs.10 except where stated.				
2009	2008			
(Number of shares / units)				
319,054,124	267,957,279 (note 9.18.1)	<b>Warid Telecom (Private) Limited</b> Percentage of holding: 8.76% (2008: 8.76%) Break-up value per share: Rs. 10.42 - note 9.18.2 Date of last audited financial statements: June 30, 2009 Chief Executive: Mr. Muneer Farooqui	3,106,641	4,251,037
83,494,920	41,747,460	<b>Wateen Telecom Limited</b> Percentage of holding: 20% (2008: 20%) Break-up value per share: Rs. 6.73 - note 9.18.2 Date of last audited financial statements: June 30, 2009 Chief Executive: Mr. Tariq Malik	562,096	684,696
6,899,000	6,899,000	<b>Alfalah Insurance Limited</b> Percentage of holding: 30% (2008: 30%) Break-up value per share: Rs. 12.45 Date of financial statements: December 31, 2009 Chief Executive: Mr. Nasar us Samad Qureshi	87,828	62,153
2,413,487	2,413,487	<b>Alfalah GHP Value Fund</b> Percentage of holding: 28.05% (2008: 15.06%) Break-up value per unit: Rs. 61.15 Date of audited financial statements: December 31, 2009 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	147,590	99,942
11,261,109	11,261,109	<b>Alfalah GHP Income Multiplier Fund</b> Percentage of holding: 92.42% (2008: 54.40%) Break-up value per unit: Rs. 52.06 Date of audited financial statements: December 31, 2009 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	586,295	527,037
5,048,225	5,048,225	<b>Alfalah GHP Islamic Fund</b> Percentage of holding: 96.55% (2008: 66.56%) Break-up value per unit: Rs. 62.60 Date of audited financial statements: December 31, 2009 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	316,016	213,288
13,049,070	13,049,070	<b>Alfalah GHP Investment Management Limited</b> Percentage of holding: 40.22% (2008: 40.22%) Break-up value per share: Rs. 11.86 Date of audited financial statements: December 31, 2009 Chief Executive : Mr. Aziz Anis Dhedhi	154,726	128,988
			<u>4,961,192</u>	<u>5,967,141</u>

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

9.18.1 Warid Telecom (Private) Limited issued 51,096,845 right shares to the Bank during the year against the amount subscribed by the Bank during the year ended December 31, 2008.

9.18.2 This represents the break-up value of the shares of investee company based on the unaudited financial statements of the company as at December 31, 2009.

### 9.18.3 Investment in associates (Rupees in '000)

#### 9.18.3.1 Warid Telecom (Private) Limited

	2009	2008
	(Rupees in '000)	
Investment as at January 1	4,251,037	3,595,776
Investment during the year	-	1,687,218
Share in share premium	-	-
Share of (loss) / profit	(1,144,396)	(1,031,957)
Balance as at December 31	<u>3,106,641</u>	<u>4,251,037</u>

The company was incorporated in Pakistan under the Companies Ordinance, 1984 for providing Global System of Mobile Communication (GSM) services in Pakistan.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2009 based on unaudited financial statements are as follows:

	As at December 31, 2009		Half year ended December 31, 2009	
	Assets*	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Warid Telecom (Private) Limited	140,880,921	104,453,687	14,093,985	(5,378,551)

\* The carrying value of Warid Telecom (Private) Limited includes Rs. 6,751.626 million in respect of deferred tax asset recognised by the associate on temporary differences / available tax losses. The audit opinion on the financial statements of Warid Telecom (Private) Limited for the year ended June 30, 2009 included an emphasis of matter paragraph highlighting that the associate will be able to recover the deferred tax asset carried at June 30, 2009 from future taxable profits as projected in the business plan approved by its board of directors. As per the unaudited financial statements of Warid Telecom (Private) Limited for the six months ended December 31, 2009, no additional deferred tax asset has been recognised by the associate between July 1, 2009 to December 31, 2009.

#### 9.18.3.2 Wateen Telecom Limited

	2009	2008
	(Rupees in '000)	
Investment as at January 1	684,696	628,519
Investment during the year	-	-
Share of profit	(122,600)	56,177
Balance as at December 31	<u>562,096</u>	<u>684,696</u>

The company was incorporated in Pakistan under the Companies Ordinance, 1984 for providing Long Distance and International public voice telephone (LDI) services and Wireless Local Loop (WLL) services in Pakistan.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2009 based on unaudited financial statements are as follows:

	As at December 31, 2009		Half year ended December 31, 2009	
	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Wateen Telecom Limited	29,921,882	27,111,396	4,503,658	(1,498,942)

9.18.3.3 Alfalah Insurance Company Limited

	2009	2008
	(Rupees in '000)	
Investment as at January 1	62,153	75,400
Investment during the year	-	-
Share in reserves of associate	-	-
Share of (loss) / profit	25,675	(13,247)
Balance as at December 31	87,828	62,153

Alfalah Insurance Company Limited is a general non-life company which was incorporated as an unquoted public limited company in Pakistan.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2009 based on unaudited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah Insurance Company Limited	1,004,981	712,221	331,786	30,644

9.18.3.4 Alfalah GHP Value Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	99,942	115,896
Dividend received during the year	(4,996)	-
Share in reserves of associate	4,375	(3,234)
Share of (loss) / profit	48,269	(12,720)
Balance as at December 31	147,590	99,942

Alfalah GHP Value Fund is an open-ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the Fund offers units for public subscription on a continuous basis.

The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2009 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Value Fund	547,546	21,426	324,300	239,447

9.18.3.5 Alfalah GHP Income Multiplier Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	527,037	565,475
Investment during the year	-	-
Dividend received during the year	(21,082)	(13,065)
Share in reserves of associate	(19,914)	(50,423)
Share of profit	100,254	25,050
Balance as at December 31	586,295	527,037

Alfalah GHP Income Multiplier Fund is an open-ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the Fund offers units for public subscription on a continuous basis.

The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2009 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Income Multiplier Fund	636,436	2,078	129,277	60,244

#### 9.18.3.6 Alfalah GHP Islamic Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	213,288	261,700
Investment during the year	-	-
Dividend received during the year	(14,943)	
Share in reserves of associate	34,760	(3,355)
Share of (loss) / profit	82,911	(45,057)
Balance as at December 31	316,016	213,288

Alfalah GHP Islamic Fund is an open-ended asset allocation fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the Fund offers units for public subscription on a continuous basis.

The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2009 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Islamic Fund	344,252	16,936	154,065	124,728

#### 9.18.3.7 Alfalah GHP Investment Management Limited

	2009	2008
	(Rupees in '000)	
Investment as at January 1	128,988	115,554
Investment during the year	-	-
Share in reserves of associate	8,570	
Share of profit	17,168	13,434
Balance as at December 31	154,726	128,988

Alfalah GHP Investment Management Limited is an asset management company. The principal activity of the company is to act as an asset management company, investment advisor / fund manager and to constitute, float and manage open-ended schemes and closed-end funds.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2009 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Investment Management Limited	390,246	5,546	114,581	42,675

9.19 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2009	2008	2009	2008		
	-----Rupees in '000-----					
Market Treasury Bills	34,988,570	30,017,561	35,010,992	30,199,154	(Unrated - Government Securities)	
Pakistan Investment Bonds	5,675,501	457,417	5,675,361	517,781	(Unrated - Government Securities)	
<b>Term Finance Certificates</b>						
Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)	95,960	100,679	99,840	99,880	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)	49,963	52,662	49,930	49,950	AAA	PACRA
Bank Al-Habib Limited	42,832	44,715	46,657	46,675	AA	PACRA
The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)	2,854	3,029	2,885	2,887	AA-	PACRA
Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	-	11,100	-	11,136	BBB(RW-)	PACRA
Allied Bank Limited	37,185	36,978	38,384	38,399	AA-	JCRVIS
Pakistan Mobile Communication (Private) Limited	400,587	427,412	399,440	399,600	AA-	PACRA
ORIX Leasing Pakistan Limited	154,694	187,533	154,044	184,889	AA+	PACRA
Jahangir Siddiqui & Company Limited	51,147	50,225	49,940	49,960	AA+	PACRA
First Dawood Investment Bank Limited	30,000	30,000	30,000	30,000	CCC	PACRA
Financial Receivables Securitization Company Limited "A"	33,827	42,581	34,621	42,315	A+	PACRA
Financial Receivables Securitization Company Limited "B"	31,907	32,760	32,747	32,760	-----	(Unrated)-----
Pak Arab Fertilizers Limited	93,841	100,210	99,940	99,980	AA	JCRVIS
Pakistan Mobile Communication (Private) Limited	200,000	200,000	200,000	200,000	-----	(Unrated)-----
Azgard Nine Limited	99,036	99,960	99,940	99,960	-----	(Unrated)-----
Askari Bank Limited (3rd Issue)	438,107	-	450,000	-	AA-	PACRA
	1,761,940	1,419,844	1,788,368	1,388,391		
<b>Shares in Listed Companies / Certificates / Units</b>						
AKD Income Fund	44,935	41,850	41,850	50,000	BBB(f)	JCRVIS
AKD Opportunity Fund	-	36,299	-	80,000	-----	(Unrated)-----
AMZ Plus Income Fund	32,980	30,322	35,000	35,000	BB(f)	JCRVIS
Askari Asset Allocation Fund	-	7,029	-	15,000	-----	(Unrated)-----
Askari Income Fund	77,430	68,583	75,000	75,000	-----	(Unrated)-----
Atlas Income Fund	50,406	46,644	50,435	50,435	A+(f)	PACRA
Dawood Money Market Fund	21,229	18,753	18,754	25,000	-----	(Unrated)-----
First Habib Income Fund	70,823	66,545	70,000	70,000	-----	(Unrated)-----
IGI Income Fund	51,508	48,618	49,958	49,958	3 Star	PACRA
JS Aggressive Income Fund	48,995	50,147	50,695	50,695	-----	(Unrated)-----
JS Income Fund (formerly UTP - Income Fund)	99,936	97,584	100,079	100,079	AA-(f)	PACRA
KASB Liquid Fund	43,181	43,294	50,000	50,000	-----	(Unrated)-----
KASB Stock Market Fund	-	2,446	-	5,000	-----	(Unrated)-----
MCB Dynamic Cash Fund	144,542	137,887	145,167	145,167	-----	(Unrated)-----
Meezan Balanced Fund	15,250	9,500	9,500	25,000	-----	(Unrated)-----
Meezan Islamic Income Fund	49,346	47,167	50,000	50,000	-----	(Unrated)-----
NAFA Cash Fund	426,314	402,106	450,000	450,000	3 Star / 4 Star	PACRA
NAFA Stock Fund	-	12,551	-	20,000	-----	(Unrated)-----
Pak Oman Advantage Fund	159,600	159,600	150,000	150,000	AA-(f)	JCRVIS
Pak Oman Bank of Punjab Advantage Plus Fund	-	47,062	-	51,771	-----	(Unrated)-----
Pak Oman Islamic Fund	30,463	30,540	30,000	30,000	A+(f)	PACRA
Pakistan Capital Market Fund	10,172	9,253	9,882	9,882	-----	(Unrated)-----
Pakistan Income Fund	102,959	94,051	100,000	100,000	AA-(f)	PACRA
Pakistan Premier Fund Limited	-	6,127	-	36,555	-----	(Unrated)-----
Pakistan Strategic Allocation Fund	1,776	912	912	4,000	-----	(Unrated)-----
PICIC Growth Fund	-	2,907	-	18,633	-----	(Unrated)-----
Reliance Income Fund	74,658	87,857	100,000	100,000	-----	(Unrated)-----
United Islamic Income Fund	50,960	47,534	50,000	50,000	-----	(Unrated)-----
United Money Market Fund	198,831	187,126	200,239	200,239	A+ (f)	JCRVIS
United Stock Advantage Fund	-	2,338	-	5,000	-----	(Unrated)-----
UTP - Capital Protected Fund II	-	56,798	-	50,000	AA-	PACRA
UTP A30 + Fund	-	3,371	-	10,000	-----	(Unrated)-----
Adamjee Insurance Company Limited	6,165	-	6,175	-	AA	PACRA
Arif Habib Investment Limited	-	25,121	-	44,871	A/A1	PACRA
Arif Habib Securities Limited	-	9,332	-	16,394	-----	(Unrated)-----
Askari Bank Limited	35,763	43,608	15,269	193,406	AA/A1+	PACRA
Bank Al Habib Limited	-	18,653	-	46,281	AA+/A1+	PACRA
J.S Bank Limited	889	1,005	1,005	1,750	A/A1	PACRA
KASB Securities Limited	24,969	93,794	93,794	180,066	A+/A1	PACRA
MCB Bank Limited	-	20,759	-	38,899	AA+/A1+	PACRA
National Bank of Pakistan	89,988	65,668	96,613	257,147	AAA	JCRVIS
NIB Bank Limited	9,374	9,121	9,121	41,683	AA-/A1+	PACRA

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Date of Issue	Market value		Cost		Long/Medium Term Credit Rating	Rated by	
	2009	2008	2009	2008			
	-----Rupees in '000-----						
Samba Bank Limited	11,264	-	10,924	-	A	JCRVIS	
The Bank of Punjab	1,950	1,320	1,320	2,478	AA-/A1+	PACRA	
United Bank Limited	-	5,352	-	9,896	AA+	JCRVIS	
Al-Abbas Cement Company Limited	52,716	-	50,118	-	-----	(Unrated)-----	
D.G.Khan Cement Limited	-	4,573	-	8,445	-----	(Unrated)-----	
Fauji Cement Company Limited	33,128	1,645	34,592	2,045	-----	(Unrated)-----	
Fecto Cement Limited	1,279	2,709	1,793	9,701	-----	(Unrated)-----	
Lucky Cement Limited	33,490	7,974	30,535	14,731	-----	(Unrated)-----	
Kohinoor Energy Limited	66,698	42,417	41,417	70,990	-----	(Unrated)-----	
Kot Addu Power Company Limited	22,935	-	22,525	-	-----	(Unrated)-----	
Oil and Gas Development Company Limited	110,610	110,038	106,260	248,992	AAA	JCRVIS	
Pakistan Oilfields Limited	40,385	54,398	26,089	136,784	-----	(Unrated)-----	
Pakistan Petroleum Limited	15,175	73,050	13,278	162,869	-----	(Unrated)-----	
Pakistan State Oil Company Limited	29,744	12,289	28,757	22,727	AA+/A1+	PACRA	
Southern Electric Power Company Ltd	37,440	27,118	27,118	64,725	-----	(Unrated)-----	
The Hub Power Company Limited	93,240	37,339	94,210	82,573	AA+/A1+	PACRA	
Indus Motor Company Limited	-	6,742	-	15,392	-----	(Unrated)-----	
Hira Textile Mills Limited	3,824	2,980	2,980	16,484	-----	(Unrated)-----	
Nishat Mills Limited	-	3,390	-	7,006	A+/A1	PACRA	
Pakistan Telecommunication Company Limited	35,300	-	40,546	-	-----	(Unrated)-----	
Telecard Limited	2,115	1,600	1,600	2,975	-----	(Unrated)-----	
Worldcall Telecom Limited	5,925	4,756	4,756	12,490	A-/A2	PACRA	
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	-	1,929	-	3,609	AA/A1+	PACRA	
Fauji Fertilizer Bin Qasim Limited	13,065	64,887	12,390	185,298	-----	(Unrated)-----	
Fauji Fertilizer Company Limited	102,930	29,365	103,371	62,684	-----	(Unrated)-----	
ICI Pakistan Limited	-	1,718	-	3,175	-----	(Unrated)-----	
Crescent Steel Limited	-	18,733	-	80,954	-----	(Unrated)-----	
Pace Pakistan Limited	-	18,550	-	62,997	A/A1	PACRA	
Tri- Pack Limited	-	1,246	-	1,530	A+/A1	PACRA	
	2,686,655	2,725,980	2,714,027	4,274,461			
<b>Shares in Un-listed Companies</b>							
Pakistan Export Finance Guarantee Agency Limited		Not Applicable	5,725	5,725	-----	(Unrated)-----	
Society for Worldwide Interbank Financial Telecommunication		Not Applicable	4,096	4,096	-----	(Unrated)-----	
Al-Hamra Hills (Private) Limited		Not Applicable	70,000	70,000	-----	(Unrated)-----	
Al-Hamra Avenue (Private) Limited		Not Applicable	50,000	50,000	-----	(Unrated)-----	
			129,821	129,821			
Ijara Sukuk Bonds	26-Sep-08	1,002,075	955,940	1,002,075	1,003,002	-----	(Unrated)-----
Ijara Sukuk Bonds	29-Dec-08	1,000,000	989,081	1,000,000	1,000,000	-----	(Unrated)-----
Ijara Sukuk Bonds	11-Mar-09	2,500,000	-	2,500,000	-	-----	(Unrated)-----
Ijara Sukuk Bonds	17-Sep-09	3,405,000	-	3,405,000	-	-----	(Unrated)-----
Sui Southern Gas Company		93,203	-	95,950	-	AA	PACRA
Security Leasing Corporation Limited - I		50,175	75,300	56,250	75,000	-----	(Unrated)-----
Security Leasing Corporation Limited - II		13,954	21,917	15,625	21,875	-----	(Unrated)-----
		8,064,407	2,042,238	8,074,900	2,099,877		
		53,177,073	36,663,040	53,393,469	38,609,485		

9.20 Particulars of provision for diminution in value of investments

	2009	2008
	(Rupees in '000)	
Opening balance	1,442,619	-
Charge for the year	277,607	1,442,619
Reversals	(32,375)	-
Provision written off during the year	(1,438,693)	-
Closing balance	249,158	1,442,619



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>9.21 Particulars of provision for diminution in value of investments by type and segment</b>		
<b>Available-for-sale securities</b>		
<b>Listed companies / mutual funds</b>		
- Fully paid up ordinary shares / units / certificates	132,497	1,438,693
<b>Unlisted companies</b>		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	3,926
- Al-Hamra Hills (Private) Limited	3,723	-
- Al-Hamra Avenue (Private) Limited	2,314	-
<b>Held-to-maturity securities</b>		
<b>Unlisted companies</b>		
- Term finance certificates / sukuk bonds		
- Kohat Cement Company Limited	74,899	-
- Khunja Textiles Mills Limited	30,000	-
	<b>249,158</b>	<b>1,442,619</b>

**9.22 Unrealized gain / (loss) on revaluation of investments classified as held for trading - net**

Investee Company	Unrealised gain / (loss)		Cost	
	2009	2008	2009	2008
	-----Rupees in '000-----			
<b>Fully paid up ordinary shares / units - Listed</b>				
NAFA Stock Fund	187	-	10,952	-
Adamjee Insurance Company Limited	(59)	-	3,142	-
Allied Bank Limited	(140)	-	4,545	-
Arif Habib Investment Management Limited	(395)	-	9,297	-
Arif Habib Securities Limited	402	-	12,559	-
Jahangir Siddiqui & Company Limited	(36)	-	6,802	-
National Bank of Pakistan	55	-	2,369	-
United Bank Limited	(129)	-	3,051	-
Lucky Cement Limited	122	-	3,640	-
Pakistan Oilfields Limited	2,103	-	55,359	-
Pakistan Petroleum Limited	1,394	-	34,354	-
Southern Electric Power Company Limited	103	-	2,052	-
Azgard Nine Limited	(19)	-	3,553	-
Nishat Mills Limited	148	-	6,842	-
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	32	-	3,232	-
Fauji Fertilizer Bin Qasim Limited	-	-	2,744	-
Fauji Fertilizer Company Limited	(1,216)	-	31,806	-
ICI Pakistan Limited	121	-	4,092	-
Lotte Pakistan PTA Limited (Formerly Pakistan PTA Limited)	35	-	1,586	-
Crescent Steel & Allied Products Limited	(1)	-	29,087	-
Pace Pakistan Limited	186	-	12,830	-
Tri- Pack Films Limited	(50)	-	1,080	-
Pakistan Telecommunication Limited	6	848	8,466	3,375
The Hub Power Company Limited	-	220	-	6,825
Nakshbandi Industries Limited	1	-	4	4
Dewan Cement Limited	(701)	(676)	827	827
Dewan Salman Fibre Limited	(151)	(152)	188	188
Yousuf Weaving Mills Limited	(1)	-	1	1
Dadabhoy Cement Industries Limited	(15)	(14)	20	20
Pakistan State Oil Company Limited	(1)	(2)	3	3
The Bank of Punjab	(5)	(5)	7	7
Agriauto Industries Limited	12	(2)	17	17
Colony Sugar Mills Limited	(54)	-	78	-
Pace Pakistan Limited	-	-	1	-
	<b>1,934</b>	<b>217</b>	<b>254,586</b>	<b>11,267</b>
Unrealised loss in respect of equity securities reclassified from held for trading category to Available for Sale - note 9.22.1	-	(182,639)	-	-
	<b>1,934</b>	<b>(182,422)</b>	<b>254,586</b>	<b>11,267</b>

9.22.1 This reclassification was made as allowed under BSD Circular No. 10 of 2004 "Revaluation surplus / deficit" dated July 13, 2004 issued by the State Bank of Pakistan.

	Note	2009	2008
		(Rupees in '000)	
<b>10 ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		170,388,025	167,962,383
Outside Pakistan		9,030,597	10,007,299
		<u>179,418,622</u>	<u>177,969,682</u>
Net investment in finance lease			
In Pakistan	10.2	10,142,351	14,116,352
Outside Pakistan		-	-
		<u>10,142,351</u>	<u>14,116,352</u>
Financing and investing assets under IFAS 2 ljarah	10.3	946,536	-
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,628,365	1,092,683
Payable outside Pakistan		4,666,290	4,534,302
		<u>6,294,655</u>	<u>5,626,985</u>
		<u>196,802,164</u>	<u>197,713,019</u>
Provision against advances			
Specific provision against non-performing advances	10.5	(8,017,606)	(5,055,598)
General provision against advances	10.5	(763,066)	(1,085,085)
		<u>(8,780,672)</u>	<u>(6,140,683)</u>
		<u>188,021,492</u>	<u>191,572,336</u>
<b>10.1 Particulars of advances - gross of provisions</b>			
10.1.1 In local currency		181,336,577	180,467,306
In foreign currencies		15,465,587	17,245,713
		<u>196,802,164</u>	<u>197,713,019</u>
Short term (upto one year)		141,632,301	131,754,708
Long term (over one year)		55,169,863	65,958,311
		<u>196,802,164</u>	<u>197,713,019</u>
<b>10.2 Net investment in finance lease</b>			

	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) -----							
Lease rentals receivable	2,430,071	5,545,111	5,341	7,980,523	4,115,596	7,555,526	743,175	12,414,297
Residual value	820,856	2,789,708	3,173	3,613,737	825,195	3,304,952	171,832	4,301,979
Minimum lease payments	3,250,927	8,334,819	8,514	11,594,260	4,940,791	10,860,478	915,007	16,716,276
Financial charges for future periods	(470,672)	(980,445)	(792)	(1,451,909)	(762,420)	(1,780,806)	(56,698)	(2,599,924)
Present value of minimum lease payments	<u>2,780,255</u>	<u>7,354,374</u>	<u>7,722</u>	<u>10,142,351</u>	<u>4,178,371</u>	<u>9,079,672</u>	<u>858,309</u>	<u>14,116,352</u>

10.2.1 Net investment in finance lease includes ijarah financing made prior to January 1, 2009. Ijarah contracts entered on or after January 1, 2009 have been accounted for in accordance with the requirements of IFAS 2, "Ijarah" and presented separately as financing and investing assets as disclosed in note 10.3.

**10.3 Financing and investing assets under IFAS-2 (Ijarah)**

**a) Brief description of the ijarah arrangements**

Ijarah contracts entered into by the Bank essentially represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. The significant ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

**b) Movement in net book value of ijarah assets**

	Asset categories				Total
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	
	----- (Rupees in '000) -----				
At January 1, 2009					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
Year ended December 31, 2009					
Opening net book value	-	-	-	-	-
Additions	660,375	221,326	123,567	5,994	1,011,262
Disposals	-	-	-	-	-
Depreciation	(34,512)	(25,574)	(3,484)	(945)	(64,515)
Adjustment	(211)	-	-	-	(211)
Closing net book value	625,652	195,752	120,083	5,049	946,536
At December 31, 2009					
Cost	660,375	221,326	123,567	5,994	1,011,262
Accumulated depreciation	(34,723)	(25,574)	(3,484)	(945)	(64,726)
Net book value	625,652	195,752	120,083	5,049	946,536

**c) Future Ijarah payments receivable**

Not later than one year  
 Later than one year and not later than five years  
 Later than five years

2009	2008
(Rupees in '000)	
196,989	-
1,078,778	-
-	-
<u>1,275,767</u>	<u>-</u>

10.4 Advances include Rs 15.586 billion (2008: Rs 8.934 billion) which have been placed under non-performing status as detailed below:-

Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially Mentioned (Agri Financing)	145,523	-	145,523	-	-	-	-	-	-
Substandard*	3,101,991	3,047	3,105,038	481,290	330	481,620	481,290	330	481,620
Doubtful	2,105,414	16,748	2,122,162	586,676	8,374	595,050	586,676	8,374	595,050
Loss	9,933,070	279,923	10,212,993	6,743,814	197,122	6,940,936	6,743,814	197,122	6,940,936
	<u>15,285,998</u>	<u>299,718</u>	<u>15,585,716</u>	<u>7,811,780</u>	<u>205,826</u>	<u>8,017,606</u>	<u>7,811,780</u>	<u>205,826</u>	<u>8,017,606</u>

\*Substandard advances include amount of Rs. 105.24 million, for which provision has been maintained at 60% of the outstanding balance on SBPs instruction.

Category of Classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other Assets Especially Mentioned (Agri Financing)	167,310	8,632	175,942	-	432	432	-	432	432
Substandard	2,405,146	39,245	2,444,391	386,462	3,047	389,509	386,462	3,047	389,509
Doubtful	1,519,621	22,711	1,542,332	567,029	22	567,051	567,029	22	567,051
Loss	4,546,027	225,581	4,771,608	3,919,558	179,048	4,098,606	3,919,558	179,048	4,098,606
	8,638,104	296,169	8,934,273	4,873,049	182,549	5,055,598	4,873,049	182,549	5,055,598

### 10.5 Particulars of provision against advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
Opening balance	5,055,598	1,085,085	6,140,683	3,380,409	1,099,409	4,479,818
Exchange adjustment and other movements	51,038	(30,892)	20,146	20,291	43,907	64,198
Charge for the year	4,274,440	-	4,274,440	3,026,822	73,906	3,100,728
Reversals / recoveries	(868,825)	(291,127)	(1,159,952)	(932,594)	(132,137)	(1,064,731)
Amounts written off	3,405,615	(291,127)	3,114,488	2,094,228	(58,231)	2,035,997
	(494,645)	-	(494,645)	(439,330)	-	(439,330)
Closing balance	8,017,606	763,066	8,780,672	5,055,598	1,085,085	6,140,683

10.5.1 During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 10 dated October 20, 2009. Under the revised guidelines issued by SBP, banks have been allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement with effect from September 30, 2009. However, as per the Circular the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential, commercial and industrial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by SBP which were effective from December 31, 2008, banks were allowed to avail the benefit of 30% of forced sales value of pledged stocks and only mortgaged residential and commercial properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement. The benefit of discounted forced sales value of mortgaged industrial properties was previously not available to banks for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2009 would have been lower by approximately Rs. 600.957 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2009 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs. 1,562.488 million (2008: 404.459).

10.5.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision for overseas branches is maintained in accordance with the guidelines of the authorities in the respective countries.

### 10.5.3 Particulars of provisions against advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
In local currency	7,811,781	688,699	8,500,480	4,873,049	1,002,012	5,875,061
In foreign currencies	205,825	74,367	280,192	182,549	83,073	265,622
	8,017,606	763,066	8,780,672	5,055,598	1,085,085	6,140,683

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

	Note	2009	2008
(Rupees in '000)			
<b>10.6 Particulars of write-offs</b>			
10.6.1 Against provisions		494,645	439,330
Directly charged to profit and loss account		59,817	28,298
		<u>554,462</u>	<u>467,628</u>
10.6.2 Write offs of Rs. 500,000 and above		46,946	35,381
Write offs of below Rs. 500,000		507,516	432,247
		<u>554,462</u>	<u>467,628</u>

**10.7 Details of loans written-off of Rs. 500,000/- and above**

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

**10.8 Particulars of loans and advances to directors, executives, 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	2,994,577	2,086,792
- Loans granted during the year	1,257,102	1,444,169
- Repayments	(659,404)	(536,384)
- Balance at end of year	<u>3,592,275</u>	<u>2,994,577</u>

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

- Balance at beginning of year	998,792	8,296
- Loans granted during the year	1,768,474	15,063,981
- Repayments	(998,987)	(14,073,485)
- Balance at end of year	<u>1,768,279</u>	<u>998,792</u>

Total 5,360,554 3,993,369

**11 FIXED ASSETS**

Capital work-in-progress	11.1	2,225,154	2,417,954
Property and equipment	11.2	12,106,452	11,176,963
Intangible assets	11.5	220,848	251,857
		<u>14,552,454</u>	<u>13,846,774</u>

**11.1 Capital work-in-progress**

Civil works	662,923	1,100,955
Equipment / intangibles	1,265,727	775,577
Advances to suppliers and contractors	266,511	461,390
Others	29,993	80,032
	<u>2,225,154</u>	<u>2,417,954</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

11.2 Property and equipment

2009										
Description	Cost / revaluation at January 1, 2009	Additions / (disposals) / *adjustments	Revaluation surplus / (reversal of accumulated depreciation)	Cost/ Revaluation as at December 31, 2009	Accumulated depreciation at January 1, 2009	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2009	Accumulated depreciation at December 31, 2009	Net Book Value at December 31, 2009	Rate of depreciation %
----- (Rupees in '000) -----										per annum
Office premises	4,605,442	272,372 (427) * (15,987)	- (188,449)	4,672,951	108,814	73,643 (14) * 6,006	(188,449)	-	4,672,951	2.5%-5.5%
Revaluation	3,230,372	-	416,873 (113,640)	3,533,605	75,646	37,994	(113,640)	-	3,533,605	2.5%-5.5%
	7,835,814	272,372 (427) * (15,987)	416,873 (302,089)	8,206,556	184,460	111,637 (14) * 6,006	(302,089)	-	8,206,556	
Lease hold improvements	1,551,063	774,613 (49,028) * 16,362	-	2,293,010	705,997	414,528 (10,876) * 9,182	-	1,118,831	1,174,179	20%
Furniture and fixtures	1,092,718	301,885 (7,283) * (1,736)	-	1,385,584	342,288	140,561 (2,369) * 1,919	-	482,399	903,185	10% - 25%
Office equipment	3,872,061	733,393 (34,259) * (30,369)	-	4,540,826	2,109,581	758,197 (23,391) * (15,202)	-	2,829,185	1,711,641	20% - 25%
Vehicles	315,153	12,399 (86,459) * 5,008	-	246,101	165,219	48,695 (72,161) * 4,138	-	145,891	100,210	25%
<b>Leased</b>										
Vehicles	26,283	- (1,060) (1,733)	-	23,490	8,584	6,200 (242) (1,733)	-	12,809	10,681	
	14,693,092	2,094,662 (178,516) * (28,455)	416,873 (302,089)	16,695,567	3,516,129	1,479,818 (109,053) * 4,310	(302,089)	4,589,115	12,106,452	
----- (Rupees in '000) -----										
2008										
Description	Cost / revaluation at January 1, 2008	Additions / (disposals) / *adjustments	Revaluation surplus / (reversal of accumulated depreciation)	Cost/ Revaluation as at December 31, 2008	Accumulated depreciation at January 1, 2008	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2008	Accumulated depreciation at December 31, 2008	Net Book Value at December 31, 2008	Rate of depreciation %
----- (Rupees in '000) -----										per annum
Office premises	3,985,401	824,153 (5,400) * (9,340)	(189,372)	4,605,442	47,364	61,869 (94) * (325)	-	108,814	4,496,628	2.5%-5.5%
Revaluation	3,041,000	-	189,372	3,230,372	37,823	37,823	-	75,646	3,154,726	2.5%-5.5%
	7,026,401	824,153 (5,400) * (9,340)	-	7,835,814	85,187	99,692 (94) * (325)	-	184,460	7,651,354	
Lease hold improvements	1,044,085	509,815 (4,189) * 1,352	-	1,551,063	449,883	253,233 (2,957) * 5,838	-	705,997	845,066	20%
Furniture and fixtures	766,602	320,024 (4,727) * 10,819	-	1,092,718	224,181	103,259 (2,559) * 17,407	-	342,288	750,430	10% - 25%
Office equipment	3,207,445	719,807 (61,744) * 6,552	-	3,872,060	1,495,461	657,857 (57,896) * 14,159	-	2,109,581	1,762,479	20% - 25%
Vehicles	563,610	80,291 (343,046) * 14,298	-	315,153	272,765	98,026 (209,630) * 4,057	-	165,218	149,935	25%
<b>Leased</b>										
Vehicles	23,671	13,268 (10,656)	-	26,283	9,315	6,581 (7,312)	-	8,584	17,699	25%
	12,631,814	2,467,358 (429,762) * 23,681	-	14,693,091	2,536,792	1,218,648 (280,448) * 41,136	-	3,516,128	11,176,963	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

11.3 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 1,188 million (2008: Rs. 736.28 million).

11.4 During the year office premises have been revalued on December 30, 2009 on the basis of market value by Harvester Services (Private) Limited, Valuation and Engineering Consultant which has resulted in a surplus on revaluation of Rs. 416.873 million. Had there been no revaluation, the carrying value of office premises would have been Rs. 4,672.951 million.

11.5 Intangible assets

	2009							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization %
	Opening Balance	Additions/ (Deletions)/ * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance		
------(Rupees in '000)-----								
Computer software	365,897	35,113	400,949	145,040	66,207	211,101	189,848	20%
		-			-			
		* (61)			* (146)			
Goodwill	56,031	-	56,031	56,031	-	56,031	-	
		-			-			
		-			-			
Membership card	31,000	-	31,000	-	-	-	31,000	
	452,928	35,113	487,980	201,071	66,207	267,132	220,848	
	-	-	-	-	-	-	-	
	-	* (61)	-	-	* (146)	-	-	
-----								
	2008							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization %
	Opening Balance	Additions/ (Deletions)/ * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance		
------(Rupees in '000)-----								
Computer software	212,091	153,865	365,897	94,409	50,800	145,040	220,857	20%
	-	-	-	-	-	-	-	
	-	* (59)	-	-	* (169)	-	-	
Goodwill	-	56,031	56,031	-	56,031	56,031	-	
Membership card	31,000	-	31,000	-	-	-	31,000	
	243,091	209,896	452,928	94,409	106,831	201,071	251,857	
	-	-	-	-	-	-	-	
	-	* (59)	-	-	* (169)	-	-	
-----								

11.6 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 115.349 million (2008: Rs. 104.362 million).

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

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Office premises						
Broken Glass	427	14	413	275	Insurance claim	M/s Alfalah Insurance Ltd. (Related party)



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
	------(Rupees in '000)-----					
<b>Leasehold Improvements</b>						
Renovation Work	414	132	282	192	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Renovation Work	3,233	2,183	1,050	-	Write Off	
Renovation Work	37,131	6,181	30,950	31,588	Negotiation	Rana Abdul Qayyum
Renovation Work	1,955	567	1,388	-	Write Off	
Renovation Work	521	-	521	627	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Renovation Work	689	240	449	-	Write Off	
Renovation Work	2,223	235	1,988	-	Write Off	
Renovation Work	1,266	216	1,050	-	Write Off	
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	1,596	1,122	474	378	Various	Various
	<b>49,028</b>	<b>10,876</b>	<b>38,152</b>	<b>32,785</b>		
<b>Furniture and fixtures</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	7,283	2,369	4,914	4,357	Various	Various
	<b>7,283</b>	<b>2,369</b>	<b>4,914</b>	<b>4,357</b>		
<b>Office equipment</b>						
ATM machine	814	73	741	319	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
ATM machine	814	56	758	517	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
ATM machine	1,182	322	860	1,005	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Diesel generator	1,200	467	733	733	Negotiation	Rana Abdul Qayyum
Diesel generator	895	597	298	365	Bid	Askari Bank Limited
Diesel generator	1,200	838	362	362	Bid	Bashir Ahmed & Co
Diesel generator	1,000	549	451	585	Bid	M/s Mearud Engineering
HVAC	7,576	7,576	-	600	Negotiation	M/s H.A Constructions
Transformer	2,299	307	1,992	1,992	Negotiation	Rana Abdul Qayyum
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	17,279	12,606	4,673	6,619	Various	Various
	<b>34,259</b>	<b>23,391</b>	<b>10,868</b>	<b>13,097</b>		
<b>Vehicles</b>						
Honda Accord	3,146	3,146	-	307	As per Bank Policy	Mr. Majedur Rahman, Ex Country Head Bangladesh
Honda City	933	428	505	792	Bid	M/s SGM Sugar Mills
Honda City	850	558	292	293	As per Bank Policy	Mr. Sohail Mairaj Qureshi
Honda City	901	568	333	333	Bid	M/s Al Razi Health Care (Pvt.) Limited
Honda City	933	306	627	628	As per Bank Policy	Mr. Kashif Iqbal
Honda City	901	338	563	563	As per Bank Policy	Mr. Hasan Riaz
Honda City	908	113	795	830	Bid	M/s Al Razi Health Care (Pvt.) Limited
Honda City	901	636	265	727	Bid	M/s SGM Sugar Mills
Honda City	901	448	453	825	Bid	M/s Al Razi Health Care (Pvt.) Limited
Honda City	934	182	752	746	As Per Bank Policy	Mr. Sohail Rizvi
Honda City	834	571	263	540	Insurance Claim	M/s Alfalah Insurance Ltd. (Related party)
Honda City	922	459	463	735	Bid	Mr. Tariq Latif
Honda City	901	448	453	735	Bid	Mr. Muhammad Tariq
Honda City	936	583	353	700	Bid	Mr. Muhammad Saeed
Honda City	899	553	346	882	Bid	M/s Taavun (Pvt.) Limited (Related party)
Honda City	934	390	544	801	As Per Bank Policy	Mr Atta-Ur-Rehman
Balance carried forward	<b>16,734</b>	<b>9,727</b>	<b>7,007</b>	<b>10,437</b>		

\* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Balance brought forward	16,734	9,727	7,007	10,437		
Honda City	909	248	661	795	Bid	Mr. M.S.Babar
Honda City	901	629	272	366	As Per Bank Policy	Mr. Riaz-Ul-Haq
Honda Civic	1,052	1,052	-	584	Bid	Mr. Salman Aftab Rao
Honda Civic	1,165	1,165	-	600	Bid	Mr. Hassan Mobeel Alam
Honda Civic	1,002	878	124	843	Bid	Mr. Muhammad Tariq
Honda Civic	1,195	1,195	-	816	Bid	Mr. Muhammad Saeed
Honda Civic	1,070	1,063	7	930	Bid	Mr. Muhammad Ajmal
Honda Civic	1,042	974	68	850	Bid	Mr. Muhammad Tariq
Suzuki Cultus	561	244	317	619	Bid	Syed Shah Ali Murtaza
Suzuki Cultus	562	245	317	507	As per Bank Policy	Mr. Zulifqar Ali
Suzuki Cultus	555	263	292	292	As per Bank Policy	Mr. Fawad Mazhery
Suzuki Cultus	586	115	471	653	Bid	Mr. Muhammad Tariq
Suzuki Cultus	555	231	324	620	Bid	Syed Shah Ali Murtaza
Suzuki Cultus	555	230	325	617	As per Bank Policy	Mr. Ausaf Muzammil
Toyota Corolla	1,189	1,189	-	679	Bid	Mr. Irfan Ahmad
Toyota Corolla	1,279	1,229	50	651	Bid	Mr. Qasim Masud
Toyota Corolla	1,564	1,564	-	636	Bid	Mr. Atal Shahzada
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	53,983	49,920	4,063	40,161	Various	Various
	<u>86,459</u>	<u>72,161</u>	<u>14,298</u>	<u>61,656</u>		
Vehicle - leased						
Honda City	1,060	242	818	894	Insurance claim	Takaful Pakistan Limited
<b>Total - December 31, 2009</b>	<u>178,516</u>	<u>109,053</u>	<u>69,463</u>	<u>113,064</u>		
<b>- December 31, 2008</b>	<u>429,762</u>	<u>280,448</u>	<u>149,314</u>	<u>230,046</u>		

\* Disposal as per Bank's policy represents vehicles sold to employees as per the terms of their employment.

	Note	2009	2008
(Rupees in '000)			
<b>12 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		10,157,823	7,301,933
Income / mark-up accrued in foreign currency		467,294	302,222
Advances, deposits, advance rent and other prepayments		1,902,300	2,525,801
Assets acquired in satisfaction of claims	12.1	338,920	23,146
Advances against future Murabaha		3,512,142	196,311
Advances against future Ijarah		161,426	233,755
Advances against Diminishing Musharakah		156,845	450,115
Branch adjustment account		112,533	-
Tax recoverable		372,502	-
Dividend receivable		5,818	11,169
Prepaid exchange risk fee		2,066	2,290
Stationery and stamps on hand		92,386	81,333
Trade debts		576,741	649,591
Others		14,959	6
		<u>17,873,755</u>	<u>11,777,672</u>
Less: Mark up held in suspense account		(2,618,243)	(1,240,054)
Provision held against other assets	12.2	(541,016)	(282,532)
		<u>14,714,496</u>	<u>10,255,086</u>

12.1 This includes a property acquired from a customer in satisfaction of claims amounting to Rs. 220 million (2008: Nil). The management is evaluating the possibility to realise the benefit of this property through continuing use rather than through a sale transaction.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>12.2 Movement in provision held against other assets</b>			
Opening balance		(282,532)	(11,308)
Charge for the year		(258,484)	(271,224)
Closing balance		(541,016)	(282,532)
<b>13 BILLS PAYABLE</b>			
In Pakistan		3,576,887	3,228,056
Outside Pakistan		189,257	223,975
		3,766,144	3,452,031
<b>14 BORROWINGS</b>			
In Pakistan		18,887,601	13,385,080
Outside Pakistan		1,766,320	686,167
		20,653,921	14,071,247
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		18,887,601	13,385,080
In foreign currencies		1,766,320	686,167
		20,653,921	14,071,247
<b>14.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from financial institutions		-	381,025
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	14.3	8,652,611	7,314,662
Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	14.4	470,866	559,280
Long Term Finance Facility		75,513	40,890
Repurchase agreement borrowings	14.5	9,488,610	4,789,223
		18,687,600	13,085,080
<b>Unsecured</b>			
Call borrowings		1,809,016	472,016
Overdrawn nostro accounts		157,305	514,151
		1,966,321	986,167
		20,653,921	14,071,247
<b>14.3</b>			
This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges between 7.5% to 8% per annum (2008: 6.5% per annum) payable on a quarterly basis.			
<b>14.4</b>			
This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 4% to 5% per annum (2008: 4% to 6.5% per annum) payable on a quarterly basis.			
<b>14.5</b>			
This represents repurchase agreement borrowings from other banks at rates ranging from 11.50% to 12.40% per annum (2008: 7.50% to 14.90% per annum) maturing by July 2010 (2008: January 2009).			
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		121,729,436	116,688,618
Savings deposits		83,905,340	86,416,689
Current accounts - non-remunerative		88,444,698	78,313,152
Others		4,753,199	7,715,468
		298,832,673	289,133,927
<b>Financial institutions</b>			
Remunerative deposits		25,709,867	11,570,748
Non-remunerative deposits		200,849	25,089
		25,910,716	11,595,837
		324,743,389	300,729,764

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		2009	2008
		(Rupees in '000)	
<b>15.1</b>	<b>Particulars of deposits</b>		
	In local currency	263,433,537	249,860,492
	In foreign currencies	<u>61,309,852</u>	<u>50,869,272</u>
		<u>324,743,389</u>	<u>300,729,764</u>
<b>16</b>	<b>SUB-ORDINATED LOANS</b>		
	Term Finance Certificates II - Quoted, Unsecured	1,247,600	1,248,080
	Mark up		
	Base Rate + 1.50 percent (Base Rate is defined as the simple average (average of the KIBOR Rate quoted by banks for that day) of the ask rate of the six months Karachi Interbank Offer rate (KIBOR) prevailing on the first day of the start of each half yearly period for mark up due at the end of that period)		
	Subordination		
	The TFCs are subordinated as to the payment of principal & profit. In case of occurrence of default, the TFC holder will rank below the senior unsecured creditors and depositors and other creditors of the Bank.		
	Issue Date		
	December 2004		
	Rating		
	AA-		
	Tenor		
	Eight years		
	Redemption		
	3 equal semi-annual installments commencing 84th month after the issue date.		
	Maturity		
	December 2012		
	Term Finance Certificates III - Quoted, Unsecured	1,322,581	1,323,089
	Mark up		
	Base Rate + 1.50 percent (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period and mark up due at the end of that period)		
	Subordination		
	The TFCs are subordinated as to the payment of principal & profit to all other indebtedness of the bank.		
	Issue Date		
	November 2005		
	Rating		
	AA-		
	Tenor		
	Eight years		
	Redemption		
	3 equal semi-annual installments commencing 84th month after the issue date.		
	Maturity		
	November 2013		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		2009	2008
		(Rupees in '000)	
<b>Term Finance Certificates IV - Private, Unsecured</b>		<b>5,000,000</b>	-
Mark up	Either of the following options with the holder: - Floating coupon of Base Rate + 2.50 percent (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period and mark up due at the end of that period)  - Fixed coupon of 15 percent per annum payable semi-annually in arrears		
Subordination	The TFCs are subordinated as to the payment of principal & profit to all other indebtedness of the bank.		
Issue Date	December 2009		
Rating	AA-		
Tenor	Eight years		
Redemption	3 equal semi-annual installments commencing 84th month after the issue date.		
Maturity	December 2017		
		<b>7,570,181</b>	<b>2,571,169</b>

17 LIABILITIES AGAINST ASSETS SUBJECT TO 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)								
Minimum lease payments	5,959	8,187	-	14,146	6,298	15,171	-	21,469
Financial charges for future periods	(1,185)	(603)	-	(1,788)	(1,991)	(2,019)	-	(4,010)
Present value of minimum lease payments	4,774	7,584	-	12,358	4,307	13,152	-	17,459

18 DEFERRED TAX LIABILITIES

Deferred credits arising due to

Difference between accounting book value of leased assets and lease liabilities

Accelerated tax depreciation

Surplus on revaluation of operating fixed assets

Deferred debits arising due to

Provision for doubtful debts

Provision against other assets

Provision against off-balance sheet obligations

Impairment in the value of Investment

Unrealized loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale Leased assets

Taxable loss

Deficit on revaluation of securities

Note

2009	2008
(Rupees in '000)	
283,772	778,188
1,397,529	1,306,487
723,611	585,753
2,404,912	2,670,428
(1,732,167)	(1,811,348)
(3,386)	-
(13,168)	(4,969)
369,497	(504,917)
(10,201)	(63,550)
(638)	(566)
-	(5,309)
(240,603)	(71,488)
(1,630,666)	(2,462,147)
774,246	208,281

- 18.1 This includes deferred tax in respect of impairment recognised in value of investment which has been written off in the books of the Bank. The tax benefit for this amount will be allowed upon disposal of these investments.
- 18.2 Through the Finance Act, 2007 the 7th Schedule (the 'Schedule'), was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009. The Schedule did not contain transitory provisions to deal with the disallowances made upto December 31, 2007 and certain other matters including treatment relating to leases disbursed by the bank. This issue had been taken up with the tax authorities through the Pakistan Banks' Association for formulation of transitory provisions to deal with the items which were previously treated differently under the applicable provisions. During the current year, the Federal Board of Revenue (FBR) through their letter F. No. 4(I)ITP/2008-49 dated December 23, 2009 has clarified that the:
- amount provided for in the tax year 2008 and prior to the said tax year for or against irrecoverable or doubtful advances which were neither claimed nor allowed as a tax deductible in any tax year, shall be allowed in the tax year in which such advances are actually written off against such provisions, in accordance with the provisions of Section 29 and 29A of the Income Tax Ordinance 2001.
  - amounts provided for in the tax year 2008 and prior to the said tax year for or against irrecoverable or doubtful advances, which were neither claimed nor allowed as a tax deductible in any tax year, which were written back in the tax year 2009 and thereafter in any tax year and credited to the profit and loss account, shall be excluded in computing the total income of that tax year under Rule 1 of the Schedule.
  - the provisions of the Seventh Schedule shall not apply to any assets given or acquired on finance lease by a banking company upto tax year 2008 and recognition of income and deduction in respect of such asset shall be dealt with in accordance with the provisions of the Income Tax Ordinance 2001 as if this schedule has not come into force. Provided that un-absorbed depreciation in respect of such assets shall be allowed to be set-off against the said lease rental income only.

In view of the aforementioned clarification, deferred tax on timing differences relating to prior years has been retained by the bank.

	Note	2009	2008
		(Rupees in '000)	
<b>19 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		4,319,628	4,096,455
Mark-up / return / interest payable in foreign currency		379,660	360,133
Unearned commission and income on bills discounted		171,693	151,561
Accrued expenses		620,759	496,016
Current taxation		-	1,055,267
Payable against redemption of credit card reward points		133,601	199,409
Branch adjustment account		-	14,028
Security deposits against leases		3,983,095	4,321,070
Exchange difference payable to SBP		44,081	45,246
Payable to brokers	19.1	3,007	19
Unrealized loss on forward exchange contracts		55,350	180,845
Provision against off-balance sheet obligations	19.2	37,623	38,142
Workers Welfare Fund	29.1	63,260	106,621
Others		280,076	280,677
		<u>10,091,833</u>	<u>11,345,489</u>
<b>19.1 This represents amounts payable to brokers against purchase of shares.</b>			
<b>19.2 Provision against off-balance sheet obligations</b>			
Opening balance		38,142	6,959
Exchange adjustment		900	2,601
Charge / (reversal) for the year		(1,419)	28,582
Closing balance		<u>37,623</u>	<u>38,142</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>20 SHARE CAPITAL</b>			
<b>20.1 Authorized Capital</b>			
		2009	2008
		(Number of shares)	
		<u>2,300,000,000</u>	<u>1,500,000,000</u>
		Ordinary shares of Rs. 10/- each	
		<u>23,000,000</u>	<u>15,000,000</u>
<b>20.2 Issued, subscribed and paid up capital Ordinary Shares of Rs.10 each</b>			
		2009	2008
		(Number of shares)	
		<u>225,000,000</u>	225,000,000
		<u>399,750,000</u>	-
		<u>624,750,000</u>	225,000,000
		Ordinary shares	
		Fully paid in cash	
		2,250,000	2,250,000
		3,997,500	-
		6,247,500	2,250,000
		Issued as bonus shares	
		5,745,000	4,250,000
		1,499,063	1,495,000
		7,244,063	5,745,000
		<u>13,491,563</u>	<u>7,995,000</u>

This includes 8,000 shares, representing rights relating to applications rejected and missing from the offer for sale of shares. These right shares will be offered to those applicants who were allotted/ offered shares in accordance with the directives / guidance of the Securities and Exchange Commission of Pakistan. These shares are subject to all corporate actions applicable to all other ordinary shares.

**21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**

Surplus / (deficit) arising on revaluation of:			
- Fixed assets	21.1	2,809,994	2,568,973
- Available-for-sale securities	21.2	201,122	(189,769)
		<u>3,011,116</u>	<u>2,379,204</u>
<b>21.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets at January 1		3,154,726	3,192,550
Transferred to retained earnings in respect of incremental depreciation charged during the year		(24,696)	(24,586)
Related deferred tax liability in respect of incremental depreciation charged during the year		(13,298)	(13,238)
Surplus on revaluation of fixed assets recognized during the year		416,873	-
		<u>378,879</u>	<u>(37,824)</u>
		<u>3,533,605</u>	<u>3,154,726</u>
Related deferred tax liability on surplus as at January 1		585,753	712,315
Deferred tax liability booked / (reversed)		151,156	(113,324)
Related deferred tax liability in respect of incremental depreciation charged during the year		(13,298)	(13,238)
		<u>137,858</u>	<u>(126,562)</u>
		<u>723,611</u>	<u>585,753</u>
		<u>2,809,994</u>	<u>2,568,973</u>



NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>21.2 Surplus / (deficit) on revaluation of available-for-sale securities</b>		
<b>Deficit on:</b>		
Government securities	(22,282)	(299,938)
Quoted shares / units / certificates	-	(126,726)
Term finance certificates - quoted	(26,428)	-
Sukuk bonds	(10,493)	-
<b>Surplus on:</b>		
Quoted shares / units / certificates	413,577	190,623
Term finance certificates - quoted	-	31,454
Sukuk bonds	-	342
	<u>354,374</u>	<u>(204,245)</u>
Related deferred tax asset / (liability)	(124,031)	71,488
	<u>230,343</u>	<u>(132,757)</u>
Share of surplus / (deficit) on associates' investments - classified as 'available for sale'	(29,221)	(57,012)
	<u>201,122</u>	<u>(189,769)</u>
<b>22 CONTINGENCIES AND COMMITMENTS</b>		
<b>22.1 Direct credit substitutes</b>		
i) Government	2,559,129	2,338,371
ii) Banking companies & other financial institutions	2,385,416	154,910
iii) Others	996,298	556,490
	<u>5,940,843</u>	<u>3,049,771</u>
<b>22.2 Transaction-related contingent liabilities</b>		
i) Government	44,686,175	32,418,470
ii) Banking companies & other financial institutions	1,179,920	276,836
iii) Others	7,252,879	8,386,066
	<u>53,118,974</u>	<u>41,081,372</u>
<b>22.3 Trade-related contingent liabilities</b>		
Letters of credit	<u>35,113,200</u>	<u>35,452,659</u>
Acceptances	<u>3,468,109</u>	<u>3,747,507</u>
<b>22.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>3,117,529</u>	<u>959,371</u>
<b>22.5 Commitments in respect of forward lendings</b>		
Forward repurchase agreement lendings	-	-
Commitments to extend credit	<u>6,947,330</u>	<u>4,058,360</u>

## NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>22.6</b>	<b>Commitments in respect of forward exchange contracts</b>		
	Purchase	19,518,293	17,558,221
	Sale	10,528,925	10,459,284
<b>22.7</b>	<b>Commitments for the acquisition of operating fixed assets</b>	367,514	513,288
<b>22.8</b>	<b>Commitments in respect of repo transactions</b>		
	Repurchase	9,539,831	4,822,429
	Resale	11,370,376	-
<b>22.9</b>	<b>Other Commitments</b>		
	Donation	22,000	-

### 23 DERIVATIVE INSTRUMENTS

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

- Forward Exchange Contracts
- Foreign Exchange Swaps

#### Forward Exchange Contracts:

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

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

#### Foreign Exchange Swaps:

A Foreign exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

### 24 MARK-UP / RETURN / INTEREST EARNED

<b>a) On loans and advances to:</b>			
i) customers		25,710,840	22,770,491
ii) financial institutions		298,742	355,435
<b>b) On investments in:</b>			
i) held for trading securities		2,023	3,925
ii) available for sale securities		5,033,071	2,943,901
iii) held to maturity securities		3,184,792	3,161,810
iv) associates and subsidiary		-	711
<b>c) On deposits with financial institutions</b>		730,346	1,406,104
<b>d) On securities purchased under resale agreements</b>		562,716	308,598
<b>e) Profit earned on ijarah assets net of depreciation</b>	24.2	29,674	-
<b>f) Interest Income</b>		2,726	57,485
<b>g) Income from Continuous Funding System</b>		-	9,292
		<b>35,554,930</b>	<b>31,017,752</b>

24.1 These include mark-up earned of Rs. 3,373.900 million (2008: Rs. 2,552.096 million) which pertains to the Bank's Islamic Banking Division.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Note	2009	2008
		(Rupees in '000)	
<b>24.2 Profit earned on ijarah assets</b>			
Lease rentals earned		94,400	-
Depreciation for the year		(64,726)	-
		<u>29,674</u>	<u>-</u>
<b>25 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		21,385,092	18,310,713
Securities sold under repurchase agreements		639,790	745,671
Other short term borrowings		1,979,966	856,722
Term Finance Certificates		532,883	408,967
Brokerage and Commission		108,194	176,614
Others		3,636	9,121
Financial charges		60,317	48,349
		<u>24,709,878</u>	<u>20,556,157</u>
<b>26 GAIN ON SALE OF SECURITIES</b>			
Federal Government Securities			
- Market Treasury Bills		8,112	41
- Pakistan Investment Bonds		35,143	-
Shares			
- Listed		587,303	253,394
- Unlisted		-	171,363
Sukuk Bonds		60,000	-
		<u>690,558</u>	<u>424,798</u>
<b>27 OTHER INCOME</b>			
Gain on sale of property and equipment		43,601	80,732
Postage, telex service charges etc.		1,210,848	1,166,202
Provision no longer required written back		51,443	-
Custody services		909	303
		<u>1,306,801</u>	<u>1,247,237</u>
<b>28 ADMINISTRATIVE EXPENSES</b>			
Non executive director fee & allowances		14,354	14,560
Salaries, allowances, etc.		4,638,803	4,416,854
Charge for defined benefit plan	35.7	189,352	142,926
Contribution to defined contribution plan	36	156,832	149,143
Rent, taxes, insurance, electricity, etc.		1,673,212	1,263,180
Legal and professional charges		214,321	164,835
Communications		472,657	407,961
Repairs and maintenance		646,872	577,592
Stationery and printing		170,420	165,753
Advertisement and publicity		468,373	449,239
Donations	28.1	12,570	2,350
Auditors' remuneration	28.2	13,585	13,067
Depreciation	11.2	1,479,818	1,218,648
Amortization of intangible assets	11.5	66,207	106,831
Entertainment, vehicle running expenses, travelling and subscription		320,522	458,010
Others		472,056	371,110
		<u>11,009,954</u>	<u>9,922,059</u>
<b>28.1 Donations</b>			
Kashmir Education Foundation		-	1,500
Marie Adelaide Leprosy Center, Larkana		850	850
Publician Alumni Trust - Cantt Public School		720	-
Institute of Business Administration		11,000	-
		<u>12,570</u>	<u>2,350</u>

None of the directors or their spouses had any interest in the donees.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>28.2 Auditors' remuneration</b>		
Audit fee	3,870	3,845
Half yearly review	925	835
Special certifications and sundry advisory services	2,562	3,725
Out-of-pocket expenses	1,853	1,868
	<u>9,210</u>	<u>10,273</u>
Fee for audit of foreign branches	4,375	2,794
	<u>13,585</u>	<u>13,067</u>
<b>29 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	16,194	16,137
Workers Welfare Fund	63,260	106,621
	<u>79,454</u>	<u>122,758</u>

29.1 The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the Bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

**30 TAXATION**

For the year		
Current	1,071,160	1,741,326
Deferred	(537,401)	(1,151,361)
For prior years		
Current	(936,365)	(221,787)
Deferred	756,691	136,184
	(179,674)	(85,603)
Share of tax of associates	181,483	(295,900)
	<u>535,568</u>	<u>208,462</u>

**Bank**

The income tax assessments of the Bank have been finalised upto and including tax year 2009. Matters of disagreement exist between the Bank and the tax authorities for various assessment years and are pending with the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh.

During the year, the CIT (Appeals) has decided the issue regarding allocation of expenses to exempt capital gain and dividend income for the tax years 2004 to 2008 in favour of the Bank. As a result of this decision, the Bank has written back an amount of Rs. 230 million which represents provision made in prior years in respect of this matter. The Income Tax Department, being aggrieved with the order of CIT (Appeals), has filed an appeal before the ITAT against the order which is currently pending for adjudication. However, the management is confident that the decision will ultimately be made in favour of the Bank and that the Bank will not be exposed to any loss in this respect.

Other issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowance relating to profit and loss expenses. However, adequate provision has been made in the financial statements in respect of these matters.

**Subsidiary**

The income tax returns for tax years 2005, 2006, 2007, 2008 and 2009 have been filed under the Universal Self Assessment Scheme, which provides that return filed is deemed to be an assessment order. The returns may be selected for detailed audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit. Tax return for the tax year 2005 has been selected for audit by the tax department and proceedings in this respect are in progress.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>30.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	437,664	211,211
Tax at the applicable rate of 35% (2008: 35%)	153,182	73,924
Effect of:		
- income chargeable to tax at reduced rates	(62,352)	(104,145)
- tax effect of income assessed under final tax regime	18,810	18,200
- income exempt from tax	573	408
- permanent differences	56,272	91,168
- tax charge pertaining to overseas branches	2,542	15,664
- tax for prior years	(179,674)	(85,623)
- share of profit / loss of associates either exempt from tax or taxed at reduced rates	428,010	160,577
- deferred tax asset not recognised	89,106	38,289
- others	29,099	-
Tax expense for the year	535,568	208,462
<b>31 BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit after taxation for the year	(97,904)	28,795
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,267,533	923,552
	(Rupees)	
Basic / Diluted earnings per share	(0.08)	0.03
<b>32 CASH AND CASH EQUIVALENTS</b>	(Rupees in '000)	
Cash and balances with treasury banks	35,056,025	32,687,342
Balances with other banks	22,722,927	21,584,602
Call lendings	3,710,396	3,315,500
	61,489,348	57,587,444
<b>33 CREDIT RATING</b>		
PACRA has assigned a long term credit rating of AA [Double A] and a short-term credit rating of A1+ (A one plus) to the Bank as at June 2009 (2008: AA [Double A]) for long term and A1+ [A one plus] for short term).		
<b>34 STAFF STRENGTH</b>	2009	2008
	(Number of employees)	
Permanent	6,579	6,336
Temporary / On contractual basis	883	1,248
Bank's own staff strength at the end of the year	7,462	7,584
Outsourced	2,089	2,085
Total staff strength	9,551	9,669

**35 DEFINED BENEFIT PLAN**
**35.1 Principal actuarial assumptions**

The subsidiary does not have any defined benefit plan for its employees. However, the latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2009. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2009	2008
Discount factor used	14.00%	15.00%
Expected rate of return on plan assets	14.00%	15.00%
Expected rate of salary increase	14.00%	15.00%
Normal retirement age	60 Years	60 Years

**35.2 Reconciliation of payable to defined benefit plan**

(Rupees in '000)

Present value of defined benefit obligations	802,966	737,369
Fair value of plan assets	(696,403)	(468,272)
Net actuarial losses not recognized	(106,563)	(267,682)
Past service cost not yet recognized	-	(1,415)
	-	-

**35.3 Movement in defined benefit obligation**

Obligations at the beginning of the year	737,369	546,346
Current service cost	115,249	102,719
Interest cost	110,605	54,635
Benefits paid	(27,527)	(34,534)
Actuarial (gain) / loss on obligation	(132,730)	68,203
Obligations at the end of the year	802,966	737,369

**35.4 Movement in fair value of plan assets**

Fair value at the beginning of the year	468,272	352,811
Expected return on plan assets	70,241	35,281
Contributions	189,352	142,926
Benefits paid	(27,527)	(34,534)
Actuarial gain / (loss) on plan assets	(3,935)	(28,212)
Fair value at the end of the year	696,403	468,272

**35.5 Plan assets consist of the following:**

Defence Savings Certificates	-	50,000
Ordinary shares of Bank Alfalah Limited	27,000	-
Term Finance Certificates	72,574	157,144
Term Deposit Receipts	278,853	-
Pakistan Investment Bonds	18,844	18,893
Alfalah GHP Value Fund	40,266	27,693
Alfalah GHP Alpha Fund	26,945	24,795
Alfalah GHP Principal Protected Fund II	24,385	-
Cash and bank	207,536	189,747
	696,403	468,272

**35.6 Movement in payable to defined benefit plan**

Opening balance	-	-
Charge for the year	189,352	142,926
Bank's contribution to fund made during the year	(189,352)	(142,926)
Closing balance	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>35.7 Charge for defined benefit plan</b>		
Current service cost	115,249	102,719
Interest cost	110,605	54,635
Expected return on plan assets	(70,241)	(35,281)
Actuarial losses	32,324	19,438
Past service cost	1,415	1,415
	<u>189,352</u>	<u>142,926</u>
<b>35.8 Actual return on plan assets</b>	<u>66,306</u>	<u>7,069</u>

**35.9 Historical information**

	2009	2008	2007	2006	2005
	----- (Rupees in '000) -----				
Defined benefit obligation	802,966	737,369	546,346	366,308	261,191
Fair value of plan assets	696,403	468,272	352,811	250,757	183,665
Surplus / (deficit)	<u>(106,563)</u>	<u>(269,097)</u>	<u>(193,535)</u>	<u>(115,551)</u>	<u>(77,526)</u>
Experience adjustments on plan liabilities	<u>132,730</u>	<u>(68,203)</u>	<u>(87,394)</u>	<u>(45,151)</u>	<u>(29,548)</u>
Experience adjustments on plan assets	<u>(3,935)</u>	<u>(28,212)</u>	<u>(2,673)</u>	<u>(7)</u>	<u>174</u>

**36 DEFINED CONTRIBUTION PLAN**

The Group operates an approved provident fund scheme for all its permanent employees to which both the Group and employees contributes @ 8.33% of basic salary in equal monthly contributions.

During the year, the Group contributed Rs. 156.832 million (2008: Rs. 149.143 million) in respect of this fund .

**37 COMPENSATION OF DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----					
Fee	-	-	14,354	14,560	-	-
Bonus	1,287	7,517	-	-	128,437	266,767
Managerial Remuneration	9,718	10,018	-	-	952,333	1,020,460
Post employment benefits	1,286	1,410	-	-	105,915	103,707
Rent and house maintenance	3,719	3,839	-	-	298,395	310,016
Utilities	930	960	-	-	70,513	70,673
Medical Allowance	34	34	-	-	-	-
	<u>16,974</u>	<u>23,778</u>	<u>14,354</u>	<u>14,560</u>	<u>1,555,593</u>	<u>1,771,623</u>
Number of persons	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>718</u>	<u>719</u>

The Chief Executive and certain Executives have been provided with the free use of cars and household equipments as per the Group's policy.

**38 FAIR VALUE OF FINANCIAL INSTRUMENTS**

38.1 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.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held-to-maturity'. These securities are being carried at amortised cost in order to comply with the requirements of BSD Circular No.14 dated September 24, 2004.



Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 42 to these financial statements.

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

	2009		2008	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
<b>38.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	<u>19,518,293</u>	<u>19,474,475</u>	<u>17,558,221</u>	<u>17,256,043</u>
Forward sale of foreign exchange	<u>10,528,925</u>	<u>10,540,457</u>	<u>10,459,284</u>	<u>10,337,951</u>

### 39 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Total
-----Rupees in '000-----					
<b>2009</b>					
Total income	8,912,879	5,995,017	25,835,669	13,598	40,757,163
Total expenses	7,975,616	5,523,135	26,228,498	592,250	40,319,499
Net income / (loss)	937,263	471,882	(392,829)	(578,652)	437,664
Segment assets	17,610,187	26,918,726	344,541,142	224,212	389,294,267
Segment non-performing loans and trade debts	-	3,165,731	12,419,985	-	15,585,716
Segment provision required against loans and advances and trade debts	-	2,313,603	6,467,069	-	8,780,672
Segment liabilities	19,027,799	28,456,584	319,452,252	675,437	367,612,072
Segment return on assets (ROA) (%)	10.27%	18.05%	12.28%	1.30%	
Segment cost of funds (%)	9.49%	16.63%	10.42%	17.06%	
<b>2008</b>					
Total income	8,387,737	7,422,908	19,978,917	133,563	35,923,125
Total expenses	8,585,758	6,521,790	18,887,294	1,717,072	35,711,914
Net income / (loss)	(198,021)	901,118	1,091,623	(1,583,509)	211,211
Segment assets	7,988,961	35,298,716	305,703,087	288,161	349,278,925
Segment non-performing loans and advances and trade debts	-	2,351,609	6,582,664	-	8,934,273
Segment provision required against loans and advances and trade debts	-	2,594,937	3,545,746	-	6,140,683
Segment liabilities	6,887,193	37,108,899	287,949,933	449,415	332,395,440
Segment return on assets (ROA) (%)	11.50%	18.46%	12.74%	10.04%	
Segment cost of funds (%)	10.64%	16.22%	10.76%	11.57%	

**40 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	2009					Total
	Directors	Key Management Personnel	Group Companies	Associates	Strategic Investments	
------(Rupees in '000)-----						
<b>40.1 Deposits</b>						
Balance at the beginning of the year	63,344	70,832	2,195,375	5,167,246	18	7,496,815
Placements during the year	271,444	454,725	23,943,535	42,938,620	-	67,608,324
Withdrawals during the year	(327,197)	(492,954)	(25,385,046)	(46,311,136)	-	(72,516,333)
Balance at end of the year	<u>7,591</u>	<u>32,603</u>	<u>753,864</u>	<u>1,794,730</u>	<u>18</u>	<u>2,588,806</u>
<b>40.2 Financing</b>						
Balance at the beginning of the year	8,931	127,054	-	1,000,424	-	1,136,409
Disbursements during the year	361	10,380	-	1,768,474	-	1,779,215
Repayments during the year	(1,337)	(46,870)	-	(999,886)	-	(1,048,093)
Balance at end of the year	<u>7,955</u>	<u>90,564</u>	<u>-</u>	<u>1,769,012</u>	<u>-</u>	<u>1,867,531</u>
<b>40.3 Investments</b>						
Balance at the beginning of the year	-	-	265,135	5,883,753	120,000	6,268,888
Investment during the year	-	-	85,104	-	-	85,104
Withdrawals during the year	-	-	(97,078)	-	-	(97,078)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>253,161</u>	<u>5,883,753</u>	<u>120,000</u>	<u>6,256,914</u>
<b>40.4 Call borrowings / Repo</b>						
Balance at the beginning of the year	-	-	200,000	-	-	200,000
Placements during the year	-	-	22,305,735	-	-	22,305,735
Withdrawals during the year	-	-	(20,614,809)	-	-	(20,614,809)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>1,890,926</u>	<u>-</u>	<u>-</u>	<u>1,890,926</u>
<b>40.5 Call lendings / Reverse Repo</b>						
Balance at the beginning of the year	-	-	100,000	-	-	100,000
Placements during the year	-	-	35,260,857	-	-	35,260,857
Withdrawals during the year	-	-	(35,260,857)	-	-	(35,260,857)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2009	2008
	(Rupees in '000)	
<b>40.6 Financing</b>		
Running finance		
- Other related parties	1,768,474	998,790
Long term loans		
- Other related parties	99,057	137,619
<b>40.7 Contingencies and commitments</b>		
Letter of credit and acceptance issued	25,609	-
Guarantees issued	155,800	6,200
<b>40.8 Customer accounts</b>		
PLS accounts		
- Other related parties	1,937,903	1,596,477
Current accounts		
- Other related parties	118,361	3,370,223
Fixed deposit accounts		
- Other related parties	532,542	2,530,115
<b>40.9 Bank Balances with other banks</b>		
- Balance with UBL	702,703	864,044
<b>40.10 With associated companies</b>		
Insurance premium paid to Alfalah Insurance Company Limited	182,035	126,860
Mark-up income on advances	207,751	264,012
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited	32,215	28,753
Payment to Wateen Telecom Limited for purchase of equipment	343,675	43,813
<b>40.11 With other Related Parties</b>		
Capital Gain on redemption of units of USAF	824	-
Capital gain on sale of shares of UBL	6,719	5,861
Capital gain on sale of shares of UMMF	-	239
Contribution to Employees provident fund	156,832	146,620
Payment for books of Ikram Majeed Sehgal	2,755	-
<b>40.12 The Key Management Personnel / Directors compensation are as follows:</b>		
Salaries and Allowances	540,877	576,785

In addition, the Chief Executive and certain Executives are provided with Bank maintained car.

## 41 CAPITAL ADEQUACY

### 41.1 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

#### Goals of managing capital

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

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Group against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Group to operate adequately and provide reasonable value addition for the shareholders and other stakeholders.

#### Bank's regulatory capital analysed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes subordinated debt subject to a maximum of 50% of total Tier I capital and fulfilment of specified criteria laid down by the State Bank of Pakistan, general provisions for loan losses (up to a maximum of 1.25 % of total risk weighted assets), reserves on the revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45 percent), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term subordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The Group currently does not have any Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

The Group's operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, gold, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfil other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Group to assess the long-term soundness. As the Group carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire Group and aggregate the risks so as to take an integrated approach / view. There has been no material change in the Group's management of capital during the period.

41.2 Capital adequacy ratio as at December 31, 2009

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using Basel II standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below.

	2009	2008
	(Rupees in '000)	
<b>Regulatory capital base</b>		
<b>Tier I capital</b>		
Fully paid-up capital	13,491,563	7,995,000
Balance in share premium account - associate	1,615,473	1,615,473
Reserves (excluding foreign exchange translation reserves)	2,767,442	2,588,035
Unappropriated / unremitted profits (net of losses)	(23,926)	1,727,752
Minority Interest	-	-
Less: Book value of intangibles	(488,255)	(431,013)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(121,277)	(95,571)
<b>Total Tier I Capital</b>	<b>17,241,020</b>	<b>13,399,676</b>
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier 1 capital)	6,114,552	1,807,319
General provisions for loan losses subject to 1.25% of total risk weighted assets	763,066	1,085,085
Revaluation reserve (upto 45%)	1,749,591	1,287,906
Foreign exchange translation reserves	820,527	578,021
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(121,277)	(95,571)
<b>Total Tier II capital</b>	<b>9,326,459</b>	<b>4,662,760</b>
<b>Eligible Tier III capital</b>	-	-
<b>Total regulatory capital</b>	<b>26,567,479</b>	<b>18,062,436</b>

Risk-weighted exposures

Capital requirements		Risk Weighted Assets	
2009	2008	2009	2008
-----Rupees in '000-----			

Credit risk

Portfolios subject to standardised approach (comprehensive approach for CRM)

Claims on:

Sovereigns other than PKR claims	950,190	477,624	9,501,899	5,970,299
Public Sector Entities (PSEs)	294,973	406,154	2,949,732	5,076,927
Banks	1,402,563	847,742	14,025,628	10,596,769
Corporates	8,147,232	8,050,308	81,472,324	100,628,852
Retail portfolio	3,439,787	3,369,590	34,397,874	42,119,881
Residential mortgage finance	388,011	355,580	3,880,110	4,444,747
Listed equities and regulatory capital instruments issued by others banks	185,572	101,053	1,855,715	1,263,161
Unlisted equity investments	609,634	643,863	6,096,341	8,048,283
Fixed Assets	1,433,161	1,073,261	14,331,606	13,415,760
Other Assets	810,654	233,727	8,106,540	2,921,582
Past Due Exposures	854,311	380,964	8,543,115	4,762,048

	Capital requirements		Risk Weighted Assets	
	2009	2008	2009	2008
-----Rupees in '000-----				
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	11,312	14,475	141,404	180,938
Equity position risk	41,043	1,837	513,041	22,963
Foreign exchange risk	6,675	263,254	83,441	3,290,675
<b>Operational risk</b>	<b>2,235,335</b>	<b>1,916,980</b>	<b>27,941,687</b>	<b>23,962,253</b>
<b>TOTAL</b>	<b>(b) 20,810,453</b>	<b>18,136,412</b>	<b>213,840,457</b>	<b>226,705,138</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held	(a) 26,567,479	18,062,436		
Total risk weighted assets	(b) 213,840,457	226,705,138		
Capital Adequacy ratio	[ a / b * 100 ]	12.42%	7.97%	

#### 41.3 Types of exposures and ECAs used

Exposures	JCR-VIS	PACRA	Moody's	S&P & Fitch	CRAB & CRISL ^
Sovereigns other than PKR claims	-	-	✓	-	-
PSEs	-	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Corporates	✓	✓	-	-	✓

^ The State Bank of Pakistan through letter no. BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by these agencies. The Bank uses these ECAs to rate its exposures denominated in Bangladeshi currency on certain corporates and banks incorporated in Bangladesh.

#### Credit exposures subject to standardised approach - on balance sheet exposures

Exposures	Rating category	2009			2008		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	3,311,764	-	3,311,764	2,993,391	-	2,993,391
PSEs	1	10,462,180	5,969,627	4,492,553	5,703,429	4,368,000	1,335,429
Banks	1,2,3	5,918,929	1,984,180	3,934,749	5,014,213	475,781	4,538,432
Banks	4,5	685,284	-	685,284	-	-	-
Banks - FCY claims less than three months	1,2,3	11,281,363	-	11,281,363	10,717,116	-	10,717,116
Banks - PKR claims less than three months	4,5	693,778	-	693,778	5,121,390	-	5,121,390
		15,853,480	10,062,431	5,791,049	10,096,689	4,789,224	5,307,465
Corporates	1	12,503,165	207,645	12,295,520	7,902,703	171,340	7,731,363
Corporates	2	12,397,952	496,010	11,901,942	1,370,723	223,735	1,146,988
Corporates	3,4	2,321,136	-	2,321,136	-	-	-
Retail portfolio		47,097,161	5,145,975	41,951,186	56,675,751	4,968,012	51,707,739
Unrated		127,683,184	49,018,442	78,664,742	131,245,834	30,174,462	101,071,372
<b>Total</b>		<b>250,209,376</b>	<b>72,884,310</b>	<b>177,325,066</b>	<b>236,841,239</b>	<b>45,170,554</b>	<b>191,670,685</b>

\*CRM= Credit Risk Mitigation

## 42 RISK MANAGEMENT

The Bank has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk and operational risk as evidenced by its Board approved "Risk Management Policy" and "Risk Management & Internal Control" manual.

Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called 'Board Risk Management Committee' (BRMC) oversees the overall risk of the Bank.
- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.
- As part of its mandate the Central Management Committee (CMC) is entrusted with overseeing the operational risk of the Bank.
- The Bank has established a Treasury Middle Office to effectively monitor day-to-day trading activities of the dealing room. The middle-office directly reports to Head of RMD.
- An independent risk review function exists at the Bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- After conducting the Basel II gap analysis, the Bank has extensively pursued the implementation of Basel II with the help of external consultants and has complied with all the Pillar -I requirements of Basel II accord. Moreover, in light of SBP circulars and guidelines, significant progress has also been made in respect of advanced approaches of Basel II. Implementation of Pillar 2 i.e. ICAAP has also been initiated.
- As a policy the reporting line of the risk management function has been kept completely independent of the business divisions.
- The Bank has acquired Temenos T24 banking system as its core banking solution and its Risk Management system called T-Risk will be used for managing Credit, Market and Operational risks.

### 42.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The Bank's focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to risk management function.

The Bank, as per State Bank of Pakistan Guidelines, has migrated to Basel II as on January 01, 2008 with the standardized approach. For Credit Risk, procedural manual has been developed, which also incorporates a comprehensive system of cross-checks for data accuracy. Simultaneously, processes have been set for fine-tuning systems & procedures, Information Technology capabilities and Risk Governance Structure to meet the requirements of the Advanced Approaches as well.

At Bank Alfalah Limited, the management has laid down the road-map to move towards the implementation of Basel-II Advanced Approaches, which shall provide a sophisticated platform for prudent risk management practices. In this respect, the Bank is considering appointment of a consultant firm to assist it with Basel II Advanced Approaches parameters.

The Credit Risk Management comprises of the Credit Risk Department that looks after all the aspects of credit risk and conducts portfolio analysis and stress testing on a regular basis. The Head of Credit Risk Department reports directly to the General Manager (GM) - Risk Management Division.



The Bank has built-up and maintained a sound loan portfolio in terms of well-defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of discreet prudential practices the Risk Management Division conducts pre-fact validation of major cases from integrated risk point of view. The Bank manages its portfolio of loan assets with a view to limit concentrations in term of risk quality, geography, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted frequently.

A sophisticated Internal Credit Rating System has been developed by the Bank, which is capable of quantifying counter-party risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party and generates an internal rating vis-à-vis anticipated customer behaviour. The system has been statistically tested, validated and checked for compliance with the State Bank of Pakistan's guidelines for Internal Credit Rating. Moreover, the system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

Credit Administration Centre (CAC) is working towards ensuring that all the policies and procedures are implemented and followed accordingly. No loan / advances can be booked without proper approval of CAC.

Special attention is paid by the management in respect of non-performing loans. Special Asset Management (SAM) Department (under Credit & Collections Group) is functional and handles this responsibility in compliance with the regulatory requirements. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to BRMC.

A "Watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the significant matters to BRMC.

Proactive credit-risk management practices in the form of studies, research work, Internal Rating System, Integrated Bank-wide Risk Management and Internal Control Framework, adherence to Basel II accord, portfolio monitoring are only some of the prudent measures the bank is engaged in for mitigating risk exposures. The current focus is on augmenting the Bank's abilities to quantify risk in a consistent, reliable and valid fashion which will ensure advanced level of sophistication in the Credit Risk measurement and management in the years ahead.

#### 42.1.1 Credit Risk - General Disclosures Basel II Specific

Bank Alfalah Limited is using The Standardized Approach (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA Banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel II Standardized Approach is in place and firmly adhered.

#### 42.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel II specific

##### 42.1.2.1 External ratings

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter no. BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by CRAB and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporates and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel II framework. For Exposures with a contractual maturity of less than or equal to one year, Short-term Rating given by approved Rating Agencies is used, whereas for Long-term exposure with maturity of greater than one year, Long-term Rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

#### 42.1.3 Disclosures with respect to Credit Risk Mitigation for Standardized and IRB Approaches-Basel II Specific

##### 42.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

##### 42.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

##### 42.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors are also obtained by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property / automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product notes which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

##### 42.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes, the Bank considers all types of financial collaterals that are eligible under SBP Basel II accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel II requirements, the Bank recognizes only eligible collaterals as mentioned in the SBP Basel II accord.

##### 42.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers. Moreover, in order to restrict the industry concentration risk, BAL's annual Credit Plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the newly developed Internal Rating System allows the Bank to monitor risk rating concentration of counterparties against different grades / scores ranging from 1 – 12 (1 being the best and 10 – 12 for defaulters).

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	13,784,392	7.00%	3,016,833	0.93%	295,134	0.31%
Automobile & Transportation						
Equipment	3,048,165	1.55%	3,116,368	0.96%	1,879,715	1.99%
Chemical and Pharmaceuticals	5,916,590	3.01%	1,979,808	0.61%	3,049,907	3.23%
Cement	3,005,371	1.53%	381,809	0.12%	233,207	0.25%
Communication	5,263,792	2.67%	14,687,449	4.52%	966,761	1.02%
Electronics and Electrical						
Appliances	1,627,700	0.83%	1,326,591	0.41%	1,164,636	1.23%
Educational Institutes	1,024,340	0.52%	5,573,338	1.72%	148,482	0.16%
Financial	4,066,729	2.07%	13,714,033	4.22%	27,197,338	28.84%
Fertilizers	4,846,607	2.46%	6,212,681	1.91%	1,877,190	1.99%
Food & Allied Products	4,176,274	2.12%	2,406,905	0.74%	856,673	0.91%
Glass & Ceramics	200,914	0.10%	280,856	0.09%	79,266	0.08%
Ghee & Edible Oil	1,768,646	0.90%	1,155,561	0.36%	1,292,817	1.37%
Housing Societies / Trusts	1,068,109	0.54%	10,278,068	3.16%	2,453	0.00%
Insurance	199,153	0.10%	1,197,090	0.37%	293	0.00%
Import & Export	2,080,173	1.06%	4,548,649	1.40%	904,338	0.96%
Iron / Steel	4,951,018	2.52%	4,348,860	1.34%	2,260,930	2.40%
Oil & Gas	15,442,442	7.85%	20,397,955	6.28%	8,892,064	9.43%
Paper & Board	1,655,730	0.84%	1,216,766	0.37%	385,129	0.41%
Production and Transmission						
of Energy	15,618,524	7.94%	8,035,291	2.47%	7,629,824	8.09%
Real Estate / Construction	5,650,696	2.87%	11,622,428	3.58%	2,412,330	2.56%
Retail / Wholesale Trade	7,744,951	3.94%	10,737,350	3.31%	1,154,195	1.22%
Rice Processing and						
Trading/ Wheat	4,919,392	2.50%	1,855,834	0.57%	121,200	0.13%
Sugar	3,080,820	1.57%	727,947	0.22%	88,354	0.09%
Shoes and Leather garments	792,289	0.40%	596,142	0.18%	121,706	0.13%
Sports Goods	313,571	0.16%	346,940	0.11%	10,022	0.01%
Surgical Goods	268,294	0.14%	602,722	0.19%	148,547	0.16%
Textile Spinning	12,770,573	6.49%	1,214,570	0.37%	558,972	0.59%
Textile Weaving	2,682,853	1.36%	2,296,259	0.71%	306,392	0.32%
Textile Composite	12,848,017	6.53%	1,210,564	0.37%	1,926,650	2.04%
Welfare Institutions	448,348	0.23%	6,714,186	2.07%	4,222	0.00%
Individuals	35,800,495	18.19%	90,258,288	27.79%	2,450,868	2.60%
Others	19,737,196	10.01%	92,685,248	28.55%	25,899,792	27.48%
	<u>196,802,164</u>	<u>100%</u>	<u>324,743,389</u>	<u>100%</u>	<u>94,319,407</u>	<u>100%</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2008					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	4,206,088	2.13%	2,563,561	0.85%	53,299	0.06%
Automobile & Transportation						
Equipment	3,928,853	1.99%	2,713,531	0.90%	1,566,304	1.88%
Chemical and Pharmaceuticals	3,916,817	1.98%	2,853,834	0.95%	1,976,536	2.37%
Cement	3,371,083	1.71%	297,898	0.10%	636,118	0.76%
Communication	4,240,227	2.14%	12,442,869	4.14%	167,923	0.20%
Electronics and Electrical						
Appliances	3,750,567	1.90%	2,477,280	0.82%	1,776,098	2.13%
Educational Institutes	1,037,093	0.52%	6,127,934	2.04%	344,497	0.41%
Financial	3,408,746	1.72%	12,793,512	4.25%	842,809	1.01%
Fertilizers	4,570,015	2.31%	9,367,200	3.11%	7,226,878	8.67%
Food & Allied Products	3,769,661	1.91%	2,111,193	0.70%	505,223	0.61%
Glass & Ceramics	292,493	0.15%	191,419	0.06%	107,752	0.13%
Ghee & Edible Oil	3,679,929	1.86%	1,207,931	0.40%	736,687	0.88%
Housing Societies / Trusts	2,422,471	1.23%	8,251,607	2.74%	15,415	0.02%
Insurance	506,683	0.26%	3,229,117	1.07%	46,215	0.06%
Import & Export	3,742,105	1.89%	5,857,943	1.95%	767,601	0.92%
Iron / Steel	4,646,125	2.35%	3,419,119	1.14%	8,616,878	10.34%
Oil & Gas	10,720,082	5.42%	14,535,023	4.83%	2,737,495	3.29%
Paper & Board	2,127,894	1.08%	1,724,534	0.57%	230,111	0.28%
Production and Transmission						
of Energy	13,862,069	7.01%	7,660,547	2.55%	6,732,032	8.08%
Real Estate / Construction	7,770,992	3.93%	14,113,458	4.69%	2,675,850	3.21%
Retail / Wholesale Trade	7,892,776	3.99%	5,971,557	1.99%	1,164,772	1.40%
Rice Processing and						
Trading/ Wheat	5,404,082	2.73%	1,204,857	0.40%	137,889	0.17%
Sugar	2,871,980	1.45%	740,514	0.25%	56,555	0.07%
Shoes and Leather garments	796,735	0.40%	634,057	0.21%	172,659	0.21%
Sports Goods	394,082	0.20%	479,233	0.16%	33,123	0.04%
Surgical Goods	240,001	0.12%	198,176	0.07%	314,408	0.38%
Textile Spinning	10,871,339	5.50%	1,661,729	0.55%	495,863	0.60%
Textile Weaving	3,754,668	1.90%	2,044,826	0.68%	559,490	0.67%
Textile Composite	12,722,432	6.43%	895,437	0.30%	793,739	0.95%
Welfare Institutions	741,944	0.38%	5,558,013	1.85%	939,694	1.13%
Individuals	44,005,588	22.26%	96,399,259	32.06%	1,033,125	1.24%
Others	22,047,399	11.15%	71,002,596	23.62%	39,868,271	47.83%
	<u>197,713,019</u>	<u>100%</u>	<u>300,729,764</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>

\* contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

42.1.4.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	32,019,526	16%	56,469,276	17%	17,192,831	18%
Private	164,782,638	84%	268,274,113	83%	77,126,576	82%
	<u>196,802,164</u>	<u>100%</u>	<u>324,743,389</u>	<u>100%</u>	<u>94,319,407</u>	<u>100%</u>
	2008					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	17,307,454	9%	51,769,990	17%	15,788,476	19%
Private	180,405,565	91%	248,959,774	83%	67,542,833	81%
	<u>197,713,019</u>	<u>100%</u>	<u>300,729,764</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>

42.1.4.3 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-----			
Agriculture, forestry, hunting and fishing	426,248	90,436	337,837	45,933
Textile	2,620,181	1,762,715	2,059,012	1,222,947
Chemical and pharmaceuticals	59,815	47,215	48,750	31,583
Cement	1,404	-	3,421	335
Automobile and transportation equipment	73,402	28,642	98,414	48,952
Wholesale and retail trade	795,499	271,948	635,878	282,684
Individuals	3,490,595	2,408,363	2,488,537	1,828,058
Others	8,118,572	3,408,287	3,262,424	1,595,106
	<u>15,585,716</u>	<u>8,017,606</u>	<u>8,934,273</u>	<u>5,055,598</u>

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	15,585,716	8,017,606	8,934,273	5,055,598
	<u>15,585,716</u>	<u>8,017,606</u>	<u>8,934,273</u>	<u>5,055,598</u>

## 42.1.4.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	-----Rupees in '000-----			
Pakistan	352,312	360,491,506	21,169,513	89,038,742
Asia Pacific (including South Asia)	(45,974)	23,126,154	417,776	5,280,665
Middle East	131,326	5,676,607	94,906	-
	<u>437,664</u>	<u>389,294,267</u>	<u>21,682,195</u>	<u>94,319,407</u>

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	-----Rupees in '000-----			
Pakistan	(2,431)	318,412,434	16,557,081	75,763,964
Asia Pacific (including South Asia)	226,219	26,175,775	380,228	7,567,345
Middle East	(12,577)	4,690,716	(53,824)	-
	<u>211,211</u>	<u>349,278,925</u>	<u>16,883,485</u>	<u>83,331,309</u>

\* contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

## 42.2 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market prices. Market risk mainly arises from trading activities undertaken by the Bank's treasury. It also includes investments and structural positions in the banking book of the Bank. To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically.

The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Currently, Bank calculates 'Value at Risk (VaR)' on a daily basis by using 'Historical Method' taking into consideration the data of over 2 years. Moreover, Bank also carries out stress testing on a daily basis by applying parallel shocks of changes in market yield on all the categories of T-Bills and Government securities. Going forward the Bank is preparing to use more sophisticated systems and models and is currently evaluating use of various tools to enhance its capability to successfully meet the requirements of the internal models approach of Basel II.

## 42.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counterparty limits for on and off-balance sheet financial instruments.

Off-balance sheet financial instruments are contracts which are the resultant outcome of the import and export transactions. Moreover, counterparties enter into swaps, forward transactions in inter bank market on behalf of customers to cover-up their positions against stipulated risks. The buy and sell transactions are matched in view of their maturities in the different predefined time buckets.

The currency risk is regulated and monitored against the regulatory / statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off-balance sheet financial instruments:

2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	369,933,912	334,201,463	(14,100,373)	21,632,076
United States Dollar	17,199,399	26,215,597	8,983,282	(32,916)
Great Britain Pound	749,894	3,441,801	2,708,124	16,217
Japanese Yen	97,623	138	(91,230)	6,255
Euro	1,225,061	3,743,332	2,520,470	2,199
Other currencies	88,378	9,741	(20,273)	58,364
Total foreign currency exposure	19,360,355	33,410,609	14,100,373	50,119
Total currency exposure	<u>389,294,267</u>	<u>367,612,072</u>	<u>-</u>	<u>21,682,195</u>
2008				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	305,765,114	284,076,411	(8,057,951)	13,630,752
United States Dollar	37,693,693	40,559,362	6,069,456	3,203,787
Great Britain Pound	1,660,823	3,092,236	1,430,635	(778)
Japanese Yen	225,998	22,342	(199,346)	4,310
Euro	3,761,489	4,555,854	786,136	(8,229)
Other currencies	171,808	89,235	(28,930)	53,643
Total foreign currency exposure	43,513,811	48,319,029	8,057,951	3,252,733
Total currency exposure	<u>349,278,925</u>	<u>332,395,440</u>	<u>-</u>	<u>16,883,485</u>

#### 42.2.2 Equity position risk

Equity position risk in the trading books arises due to changes in prices of individual stocks or levels of equity indices. The Bank's equity trading book comprises of Equity Portfolio Unit's classified as Held for Trading (HFT). The objective of Equity Portfolio Unit's classified as HFT portfolio is to take advantages of short-term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. Special emphasis is given to the details of risks / mitigants, limits / controls for equity trading portfolios of Equity Portfolio Unit.

#### 42.3 Interest rate risk

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to the changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Management Committee (ALCO) monitors the re-pricing of the assets and liabilities on a regular basis. The Bank's interest rate risk is limited since the majority of customers' deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles.



42.3.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2009

Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk						Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years			
<b>On-balance sheet financial instruments</b>										
<b>Assets</b>										
Cash and balances with treasury banks	35,056,025	7,370,861	-	-	-	-	-	-	-	27,685,164
Balances with other banks	22,722,927	2,212,878	3,705,778	446,484	-	-	-	-	-	6,902,299
Lending to financial institutions	14,947,435	2,667,734	8,780	8,780	-	-	-	-	-	-
Investments	99,279,438	12,270,921	21,498,460	21,470,557	2,768,782	2,005,739	2,633,800	5,347,955	-	5,139,853
Advances	188,021,492	25,790,046	26,080,359	61,669,544	11,260,089	8,055,222	16,838,289	4,906,011	-	12,006,177
Other assets	12,006,177	-	-	-	-	-	-	-	-	-
	372,033,494	57,175,143	62,034,877	83,586,585	14,028,871	10,060,961	19,472,089	10,253,966	12,394,132	51,735,493
<b>Liabilities</b>										
Bills payable	3,766,144	-	-	-	-	-	-	-	-	3,766,144
Borrowings	20,653,921	10,818,537	479,087	8,652,611	-	-	-	546,380	-	157,306
Deposits and other accounts	324,743,389	29,934,494	46,052,902	29,317,378	1,583,546	2,753,890	156,692	-	-	93,398,746
Sub-ordinated loans	7,570,181	-	7,570,181	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	368	739	-	1,982	1,982	3,965	-	-	-
Other liabilities	5,873,786	-	-	-	-	-	-	-	-	5,873,786
	9,413,715	16,421,744	15,502,149	5,752,099	12,443,343	7,305,089	19,311,432	9,707,586	12,394,132	(51,462,489)
<b>Off-balance sheet financial instruments</b>										
<b>Forward exchange contracts - purchase</b>										
Forward exchange contracts - purchase	19,518,293	13,795,751	5,673,475	49,067	-	-	-	-	-	-
Forward exchange contracts - sale	10,528,925	6,884,741	1,825,177	1,819,007	-	-	-	-	-	-
Repo transactions resale	11,370,376	9,995,621	1,374,755	2,264,124	-	-	-	-	-	-
Repo transactions repurchase	9,539,831	35,058	4,009,373	-	-	-	-	-	-	-
	10,819,913	16,871,573	1,991,777	(5,828,380)	(2,215,057)	-	-	-	-	-
<b>Off-balance sheet gap</b>										
Total Yield / Interest Risk Sensitivity Gap	33,293,317	17,493,926	(76,281)	(40,176,427)	12,443,343	7,305,089	19,311,432	9,707,586	12,394,132	-
Cumulative Yield / Interest Risk Sensitivity Gap	33,293,317	50,787,243	50,710,962	10,534,535	22,977,878	30,282,967	49,594,399	59,301,985	71,696,117	-

2008

Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk						Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years			
<b>On-balance sheet financial instruments</b>										
<b>Assets</b>										
Cash and balances with treasury banks	32,687,342	5,845,936	-	-	-	-	-	-	-	26,841,406
Balances with other banks	21,584,602	11,773,319	172,069	597,194	272,890	-	-	-	-	8,769,130
Lending to financial institutions	3,315,500	2,028,478	733,332	553,690	-	-	-	-	-	-
Investments	76,017,285	6,325,923	24,332,901	25,537,267	5,170,881	168,563	2,091,245	1,456,811	134,033	9,004,185
Advances	191,572,336	14,770,300	29,333,207	30,638,427	53,310,322	11,526,299	14,487,524	17,950,331	10,682,824	(218,652)
Other assets	9,902,366	-	-	-	-	-	-	-	-	9,902,366
	335,079,431	40,743,956	54,571,509	57,326,578	58,754,093	11,694,862	16,572,769	19,407,142	10,893,230	54,298,435
<b>Liabilities</b>										
Bills payable	3,452,031	-	-	-	-	-	-	-	-	3,452,031
Borrowings	14,071,247	13,001,508	114,677	57,339	110,256,695	2,633,923	2,589,237	600,170	-	297,553
Deposits and other accounts	300,729,764	31,306,950	53,037,183	14,692,491	110,256,695	-	-	-	-	86,055,709
Sub-ordinated loans	2,571,169	-	2,571,169	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	484	8,432	3,520	3,520	1,186	1,186	(869)	-	-
Other liabilities	10,054,258	-	-	-	-	-	-	-	-	10,054,258
	330,945,928	44,308,942	53,160,292	17,324,519	110,260,215	2,635,109	2,590,423	158,707	600,170	99,907,551
	4,133,503	(3,564,986)	1,411,217	40,002,059	(51,506,122)	9,059,753	13,982,346	19,248,435	10,293,060	(45,609,116)
<b>Off-balance sheet financial instruments</b>										
<b>Forward exchange contracts - purchase</b>										
Forward exchange contracts - purchase	17,558,221	14,199,063	2,090,791	1,251,167	17,200	-	-	-	-	-
Forward exchange contracts - sale	10,459,284	5,952,303	2,784,895	1,474,886	247,200	-	-	-	-	-
Repo transactions resale	4,822,429	4,822,429	-	-	-	-	-	-	-	-
Repo transactions repurchase	-	-	-	-	-	-	-	-	-	-
	2,276,508	3,424,331	(694,104)	(223,719)	(230,000)	-	-	-	-	-
<b>Off-balance sheet gap</b>										
Total Yield / Interest Risk Sensitivity Gap	(140,655)	717,113	39,778,340	(51,736,122)	9,059,753	13,982,346	19,248,435	10,293,060	10,816,857	-
Cumulative Yield / Interest Risk Sensitivity Gap	(140,655)	576,458	40,354,798	(11,381,324)	(2,321,571)	11,660,775	30,909,210	41,202,270	52,019,127	-

#### 42.4 Liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function. ALCO monitors the maintenance of balance sheet liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Moreover, as core retail deposits form a considerable part of the bank's overall funding mix therefore significant importance is being given to the stability and growth of these deposits. The BOD has approved a comprehensive liquidity management policy which stipulates the early warning indicators of liquidity risk and maintenance of various ratios. Moreover, Bank also has a 'Contingency Funding Plan' in place to address liquidity issues in times of stress / crisis situations.

42.4.1 Maturities of Assets and Liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank  
2009

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	35,056,025	15,050,513	-	-	446,484	-	-	-	-	20,005,512
Balances with other banks	27,722,927	19,848,749	2,212,878	214,816	-	-	-	-	-	-
Lending to financial institutions	14,947,435	12,270,921	2,667,734	8,780	-	-	-	-	-	-
Investments	99,279,438	615,264	13,788,738	15,981,596	21,400,959	7,063,890	8,465,396	23,556,394	6,347,370	2,059,831
Advances	188,021,492	25,790,046	21,027,800	26,080,359	61,669,544	11,660,089	8,055,222	16,838,289	4,906,011	12,394,132
Operating fixed assets	14,552,454	178,490	356,979	535,469	1,070,938	2,006,635	852,952	1,129,985	951,749	7,469,257
Other assets	14,714,496	12,549,971	203,902	305,852	701,967	188,159	188,159	282,239	282,239	12,008
	389,294,267	86,303,954	40,258,031	43,126,872	85,289,892	20,518,773	17,561,729	41,806,907	12,487,369	41,940,740
<b>Liabilities</b>										
Bills payable	3,766,144	3,766,144	-	-	-	-	-	-	-	-
Borrowings	20,653,921	10,975,843	479,087	8,652,611	-	-	-	-	546,380	-
Deposits and other accounts	324,743,389	214,226,856	46,052,902	34,070,578	25,898,925	1,583,546	2,753,890	156,692	4,990,000	-
Sub-ordinated loans	7,570,181	-	1,494	1,494	1,494	418,499	1,273,818	884,876	-	-
Liabilities against assets subject to finance lease	12,358	368	739	1,107	2,215	1,982	1,982	3,965	-	-
Deferred tax liabilities	774,246	-	-	-	-	-	-	774,246	-	-
Other liabilities	10,091,833	5,513,330	91,809	467,759	633,304	1,075,436	1,075,436	1,075,435	159,324	-
	367,612,072	234,482,541	46,624,537	43,193,549	26,535,938	3,079,463	5,105,126	2,895,214	5,695,704	-
<b>Net assets</b>	21,682,195	(148,178,587)	(6,366,506)	(66,677)	58,755,954	17,439,310	12,456,603	38,911,693	6,791,665	41,940,740
Share capital	13,491,563	-	-	-	-	-	-	-	-	-
Reserves	3,587,969	-	-	-	-	-	-	-	-	-
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	(23,926)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	3,011,116	-	-	-	-	-	-	-	-	-
	21,682,195	-	-	-	-	-	-	-	-	-

2008

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	32,687,342	32,687,342	-	-	272,890	-	-	-	-	-
Balances with other banks	21,584,602	20,542,449	172,069	597,194	-	-	-	-	-	-
Lending to financial institutions	3,315,500	2,028,478	733,332	553,690	-	-	-	-	-	-
Investments	76,017,285	827,605	14,076,595	23,821,508	5,233,088	4,643,024	4,448,400	13,679,516	3,168,631	6,118,918
Advances	191,572,336	14,553,702	29,333,207	30,638,427	53,310,322	11,526,299	14,481,524	17,948,277	9,097,754	10,682,824
Operating fixed assets	13,846,774	178,779	210,594	315,893	631,784	1,263,569	1,263,569	2,527,138	6,099,913	1,355,535
Other assets	10,255,086	8,137,099	222,972	340,978	340,978	199,597	199,597	299,396	514,468	-
	349,278,925	78,955,454	44,748,769	56,267,691	59,789,062	17,632,489	20,393,090	34,454,327	18,880,766	18,157,277
<b>Liabilities</b>										
Bills payable	3,452,031	3,452,031	-	-	-	-	-	-	-	-
Borrowings	14,071,247	12,609,910	289,677	57,339	-	-	-	-	600,170	514,151
Deposits and other accounts	300,729,764	126,473,835	62,150,359	23,805,667	28,238,112	8,709,374	8,664,688	6,235,027	36,452,702	-
Sub-ordinated loans	2,571,169	-	8,432	494	494	988	408,758	1,719,738	440,697	-
Liabilities against assets subject to finance lease	208,281	484	-	3,520	-	1,186	1,186	(869)	-	-
Deferred tax liabilities	11,345,489	-	-	-	-	-	-	-	-	-
Other liabilities	332,395,440	5,281,462	252,966	540,026	1,597,757	1,166,807	1,166,807	9,328,984	172,857	-
	16,883,485	(68,862,268)	(17,952,665)	31,860,645	29,949,179	7,754,134	10,151,651	25,125,343	(18,785,660)	17,643,126
<b>Net assets</b>	7,995,000	3,166,056	1,727,752	1,615,473	2,379,204	16,883,485				
Share capital	7,995,000	-	-	-	-	-	-	-	-	-
Reserves	3,166,056	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,727,752	-	-	-	-	-	-	-	-	-
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,379,204	-	-	-	-	-	-	-	-	-
	16,883,485	-	-	-	-	-	-	-	-	-

Current and saving deposits do not have any contractual maturity. Therefore, these deposits have been classified based on management experience with such class of deposits, with the approval of ALCO. However, these deposits are payable on demand.

## 42.4.2

## Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

	2009								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>									
Cash and balances with treasury banks	15,050,513	-	214,816	446,484	-	-	-	-	20,005,512
Balances with other banks	19,848,749	2,212,878	8,780	-	-	-	-	-	-
Lendings to financial institutions	12,270,921	2,667,734	15,981,596	21,400,959	7,063,890	8,465,396	23,556,394	6,347,370	2,059,831
Investments	615,264	13,788,738	26,080,359	61,669,544	11,260,089	8,055,222	16,838,289	4,906,011	12,394,132
Advances	25,779,438	21,027,800	356,979	1,070,938	2,006,635	852,952	1,129,985	951,749	7,469,257
Operating fixed assets	178,490	356,979	535,469	701,967	188,159	188,159	282,239	282,239	12,008
Other assets	14,714,496	12,549,971	305,852	203,902	203,902	188,159	282,239	282,239	12,008
	389,294,267	40,258,031	43,126,872	85,289,892	20,518,773	17,561,729	41,806,907	12,487,369	41,940,740
<b>Liabilities</b>									
Bills payable	3,766,144	479,087	-	-	-	-	-	-	-
Borrowings	20,653,971	46,052,902	8,652,611	25,898,925	1,583,546	2,753,890	156,692	546,380	-
Deposits and other accounts	324,743,389	214,226,856	34,070,578	1,494	418,499	1,273,818	884,876	4,990,000	-
Sub-ordinated loans	7,570,181	368	1,494	2,215	1,982	1,982	3,965	-	-
Liabilities against assets subject to finance lease	12,358	739	1,107	-	-	-	774,246	-	-
Deferred tax liabilities	774,246	-	-	-	-	-	-	-	-
Other liabilities	10,091,833	91,809	467,759	633,304	1,075,436	1,075,436	1,075,435	159,324	-
	367,612,072	46,624,537	43,193,549	26,535,938	3,079,463	5,105,126	2,895,214	5,695,704	-
<b>Net assets</b>	21,682,195	(6,366,506)	(66,677)	58,753,954	17,439,310	12,456,603	38,911,693	6,791,665	41,940,740
Share capital	13,491,563	-	-	-	-	-	-	-	-
Reserves	3,587,969	-	-	-	-	-	-	-	-
Unappropriated profit	(23,926)	-	-	-	-	-	-	-	-
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	3,011,116	-	-	-	-	-	-	-	-
	21,682,195	(6,366,506)	(66,677)	58,753,954	17,439,310	12,456,603	38,911,693	6,791,665	41,940,740

## 2008

	2008								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>									
Cash and balances with treasury banks	32,687,342	-	597,194	277,890	-	-	-	-	-
Balances with other banks	20,584,449	172,069	553,690	-	-	-	-	-	-
Lendings to financial institutions	3,315,500	733,332	23,821,508	5,233,088	4,643,024	4,448,400	13,679,516	3,168,631	6,118,918
Investments	76,017,285	14,076,595	30,638,427	53,310,322	11,526,299	14,481,524	17,948,277	9,097,754	10,682,824
Advances	191,572,336	29,333,207	315,893	631,784	1,263,569	1,263,569	2,527,138	6,099,913	1,355,535
Operating fixed assets	13,846,774	210,594	178,779	340,978	199,597	199,597	299,396	514,468	-
Other assets	10,255,086	8,137,099	340,979	340,978	199,597	199,597	299,396	514,468	-
	349,278,925	44,748,769	56,267,691	59,789,062	17,632,489	20,393,090	34,454,327	18,880,766	18,157,277
<b>Liabilities</b>									
Bills payable	3,452,031	-	-	-	-	-	-	-	-
Borrowings	14,071,247	289,677	57,339	19,124,936	2,633,923	2,589,237	159,576	600,170	514,151
Deposits and other accounts	300,729,764	53,037,183	14,692,491	494	494	408,758	1,719,738	440,697	-
Sub-ordinated loans	2,571,169	8,432	3,520	3,520	1,186	1,186	(869)	-	-
Liabilities against assets subject to finance lease	17,459	484	-	-	-	-	208,281	-	-
Deferred tax liabilities	208,281	-	-	-	-	-	1,166,807	172,857	-
Other liabilities	11,345,489	252,966	540,026	1,597,757	1,166,807	1,166,807	1,166,807	172,857	-
	332,395,440	229,836,305	15,295,870	20,726,707	3,802,904	4,165,988	3,253,533	1,213,724	514,151
<b>Net assets</b>	16,883,485	(150,880,851)	40,973,821	39,063,355	13,829,585	16,227,102	31,200,794	17,667,042	17,643,126
Share capital	7,995,000	-	-	-	-	-	-	-	-
Reserves	3,166,056	-	-	-	-	-	-	-	-
Unappropriated profit	1,727,732	-	-	-	-	-	-	-	-
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,379,204	-	-	-	-	-	-	-	-
	16,883,485	(150,880,851)	40,973,821	39,063,355	13,829,585	16,227,102	31,200,794	17,667,042	17,643,126

The above mentioned maturity profile has been prepared based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profile disclosed in note 42.4.1 that includes maturities of current and saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.

## 42.5 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Function has been established within RMD, which directly reports to General Manager - RMD.

The Operational risk management policy of the Bank is incorporated in the Board-approved Risk Management Policy and Risk Management & Internal Control Manual, which covers the strategies, processes, structure and functions of Operational risk management and provide guidelines to identify, assess, monitor, control & report operational risk in a consistent & transparent manner across the Bank.

### 42.5.1 Operational Risk Disclosures - Basel II Specific

Currently, the Bank is using the ‘Basic Indicator Approach’ for calculating the capital charge for Operational Risk. However, the Bank intends to move towards the ‘Alternative Standardized Approach’ and for this purpose, the mapping of business activities into Basel defined business lines has already been completed.

At Bank Alfalah, risk awareness culture is being encouraged by communicating the principles of proper risk management to all Bank employees. A separate ‘Research & Help Desk’ has been created in this regard that helps in creating awareness about Risk Management, Basel II and the capital calculation approaches. Operational Risk Function and business / support units are involved and regularly collaborate in determining and reviewing the strategy, in order to use it as an action plan in improving the operational risk & control system at the organizational and business / support unit levels. Almost all the policies and procedures of the Bank are reviewed from the risk perspective, and the recommendations of RMD are taken into consideration before their approval at the appropriate level. All the business / support units are responsible for ensuring compliance with policies and procedures in their day-to-day activities and monitoring key operational risk exposures. An Operational Loss Database, Risk & Control Self Assessment (RCSA) exercise and Key Risk Indicators (KRIs) are being developed and implemented across the organization.

A reporting structure has been put in place whereby all business / support units have been made responsible to collect and report the operational losses / near miss incidents to Risk Management Division. These operational losses, occurring across the organization and reported to Operational Risk Management Department, are aggregated to an internally developed ‘Operational Loss Database’.

As required by Basel II, Bank has categorized all its Operational loss / near miss incidents into following loss event categories;

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & system Failure
- Execution, Delivery & Process Management

For the purpose of continuous monitoring of risks, Key Risk Indicators (KRIs) have been identified across the Bank and now KRI reporting has also been initiated.

BAL’s Information Security Policy and Business Continuity Plan have been approved by the Board of Directors and are in the process of implementation. A dedicated IT Security Unit is functioning within Risk Management Division while responsibility for BCP implementation resides with Operations Group.

**43. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on March 15, 2010 has announced cash dividend of 8 percent. This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2009 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2010.

**44. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on March 15, 2010 by the Board of Directors of the Bank.

**45. GENERAL**

**45.1 Comparatives**

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. Significant reclassifications include:

- a) Brokerage expense amounting to Rs. 176.614 million for the year ended December 31, 2008 has been reclassified from administrative expenses and included in markup / return / interest expensed.
- b) Interchange acquiring fee relating to credit card business amounting Rs. 422.503 million for the year ended December 31, 2008 has been reclassified from administrative expenses and netted off from fee, commission and brokerage income.
- c) Reward payments amounting to Rs. 79.945 million for the year ended December 31, 2008 have been reclassified from administrative expenses and netted from markup / return / interest income.
- d) Mark-up / return / interest income amounting to Rs. 1,514.214 million for the year ended December 31, 2008 has been reclassified from mark-up income on investment in Available-for-Sale and shown Rs. 3.925 million and Rs. 1,510.289 million as income on investment in Held-for-Trading and Held-to-Maturity respectively. There was no impact of this reclassification on aggregate amount of mark-up / return / interest income.
- e) Advance against Ijarah, Musharika and Murabaha amounting to Rs. 233.755 million, Rs. 450.115 million and Rs. 196.311 million respectively for the year ended December 31, 2008 has been reclassified from the advances to other assets as advances against Ijarah, Musharika and Murabaha.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# ANNEXURE - I

## STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF 500,000 RUPEES OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2009

(Rupees in '000)

S. No.	Name and address of the Borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2009			Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others					
1	2	3	4	5	6	7	8	9	10	11	12
1	Index Commodities (Pvt.) Ltd.	Syed Hussain Abbas 42301-7152071-9 Muhammad Akbar 42201-8186616-7	Ghulam Haider  Qazi Muhammad	3,079,000	738,000	79,000	3,896,000	3,079,000	738,000	79,000	3,896,000
2	Malik Saleem Brothers	M. Shahab-ud-Din 239-64-022417	Muhammad Hussain	3,421,000	757,000	-	4,178,000	3,421,000	757,000	-	4,178,000
3	ESP Global IT System	Sh. Rizwan Ahmed 35201-9849754-3 Muhammad Arif 275-43-292808 Shahida Rasheed 35202-3686068-8	Sh. Khurshid Ahmed  Saeed Ullah  Sh. Khurshid Ahmed	553,000	48,000	-	601,000	553,000	48,000	-	601,000
4	Alliance Trading Company PO Box 2269, 1st Floor, Naqi Market, Lahore.	Minhaj-ud-Din Sheikh Bashir Ahmed Chaudhry Manzoor Hasan Shafiqat Iftikhar	Information not available with the Bank's record	1,802,000	-	-	1,802,000	1,802,000	-	-	1,802,000
5	Shafique A. Sheikh 53-B, Main Gulberg, Lahore.	Shafique A. Sheikh	Muhammad Shafiq	1,520,000	403,000	-	1,923,000	1,520,000	403,000	-	1,923,000
6	Faran Enterprises (Pvt.) Ltd. 84 Industrial Estate, Kot Lakhpat, Lahore.	Nazir Ahmed Chaudhry Niaz Ahmed Khan Chaudhry Bashir Khalid Noor Ahmed Tahir Nazir	Information not available with the Bank's record	2,748,000	-	-	2,748,000	2,748,000	-	-	2,748,000
7	Sheikh Impex (Pvt.) Ltd. 9.2 KM Sheikhpura, Lahore.	Shaukat Iqbal Vora Abdul Khaliq Nuzhat Firdous Firkhanda Jabeen G. A. Akhter	Information not available with the Bank's record	3,154,000	1,236,000	-	4,390,000	3,154,000	1,236,000	-	4,390,000
8	Apex International Associates 13-F, Gulberg, Raja Center Main Market Gulberg, Lahore.	Tahir Ahmed	Information not available with the Bank's record	2,229,000	-	-	2,229,000	2,229,000	-	-	2,229,000
9	Anwars Mahmood Collection First Floor, Anum Centre, Dundas Street, Saddar, Karachi.	42301-9818102-9	Shaikh M. Iqbal Hookmani	24,951,000	2,252,000	-	27,203,000	3,631,000	-	-	3,631,000



## ANNEXURE - I

(Rupees in '000)

S. No.	Name and address of the Borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2009					Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)	9				
1				5	6	7	8	9	10	11	12	
10	Bashir Tanneries (Pvt.) Ltd. 23-KM GT Road, Muridke.	Sheikh Muhammad Shafiq Sheikh Muhammad Jamil Sheikh Muhammad Pervez Sheikh Muhammad Naeem Aftab Jamil	M. Bashir Sh. Mohammad Shafiq Muhammad Jamil	20,435,000	97,000	-	20,532,000	10,435,000	97,000	-	10,532,000	
11	Ashad Ali Sheikh House No. 2, Street No. 12	Ashad Ali Sheikh 33100-1301643-7	Information not available with the Bank's record	501,968	218,873	-	720,841	501,968	218,873	-	720,841	
12	Farooq Nizami H # P-7, Saeed Colony	Farooq Nizami 33100-4619337-9	Information not available with the Bank's record	502,252	221,595	-	723,847	502,252	221,595	-	723,847	
13	Aslam C-74-75, Dhoraji Colony	Aslam 42201-6769103-5	Information not available with the Bank's record	592,366	578,258	-	1,170,624	592,366	578,258	-	1,170,624	
14	Abdul Munaf H. No. 198, Karim Block	Abdul Munaf 35202-4929724-7	Information not available with the Bank's record	788,211	359,058	-	1,147,269	788,211	359,058	-	1,147,269	
15	Dixy Fried Chicken	Wasim Ghias Sheikh 29-E-1, Gulberg III, Lahore 35201-6548150-7	Sh. Ghais ud Din	2,888,572	345,387	-	3,233,959	2,888,572	345,387	-	3,233,959	
16	G K Goods Forwarding Agencies	Gul Karim	Fakhar Din	2,558,074	710,163	-	3,268,237	2,558,074	-	-	2,558,074	
17	M/S Al-Qadeer Coach	Sher Rehman Shop # 03, Near Gillani Hotel, General Bus Stand, Pirwadahni, Rawalpindi.	Gul Karim	2,250,000	1,054,875	-	3,304,875	2,250,000	-	-	2,250,000	
18	Balaj Textile Mills (Pvt.) Ltd.	Mian Muhammad Akram 35 Hunza Block, Allama Iqbal Town, Lahore.  Mian Ikram Mahmood House No. 6, Muslim Street Kahna Nau, Lahore  Muhammad Jawad Ikram 35 Hunza Block, Allama Iqbal Town, Lahore.	Mian Muhammad Ismail  Mian Muhammad Ismail  Mian Muhammad Akram	24,292,375	1,503,053	-	25,795,428	4,292,375	-	-	4,292,375	
			<b>Total</b>	<b>98,265,818</b>	<b>10,522,262</b>	<b>79,000</b>	<b>108,867,080</b>	<b>46,945,818</b>	<b>5,002,171</b>	<b>79,000</b>	<b>52,026,989</b>	

## ANNEXURE - II

### ISLAMIC BANKING BUSINESS

The bank is operating 60 Islamic banking branches as at December 31, 2009 (December 31, 2008: 48 branches).

	2009	2008
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	4,939,841	3,211,554
Balances with and due from financial institutions	7,522,132	7,740,302
Lendings to financial institutions	-	-
Investments	10,168,389	3,986,499
Advances	16,920,995	19,525,602
Operating fixed assets	1,552,921	1,487,121
Other assets	5,073,049	2,291,088
	<b>46,177,327</b>	<b>38,242,166</b>
<b>LIABILITIES</b>		
Bills payable	331,796	291,309
Borrowings from financial institutions	688,107	1,639,612
Deposits and other accounts	38,464,724	30,243,200
Subordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,228	1,268
Other liabilities	2,845,219	2,969,163
	<b>42,331,074</b>	<b>35,144,552</b>
<b>NET ASSETS</b>	<b>3,846,253</b>	<b>3,097,614</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	1,800,000	1,800,000
Exchange Equalization Reserve	8,559	3,658
Unappropriated/ Unremitted profit	1,277,579	575,961
	<b>3,086,138</b>	<b>2,379,619</b>
Surplus / (Deficit) on revaluation of assets - net of tax	760,115	717,995
	<b>3,846,253</b>	<b>3,097,614</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>1,500</b>	<b>1,500</b>
<b>CHARITY FUND</b>		
Opening Balance	37,575	28,119
Additions during the year	46,852	29,800
Payments / Utilization during the year	73,619	20,344
Closing Balance	<b>10,808</b>	<b>37,575</b>

**Note:**

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

## ANNEXURE - II

### ISLAMIC BANKING BUSINESS

The bank is operating 60 Islamic banking branches as at December 31, 2009 (December 31, 2008: 48 branches).

	2009	2008
	(Rupees in '000)	
Mark-up / Return Earned	3,373,900	2,552,096
Mark-up / Return Expensed	1,829,562	1,480,890
Net Mark-up / Return Income	<u>1,544,338</u>	<u>1,071,206</u>
Depreciation on assets given on lease	64,515	-
Net Mark-up / Return Income after depreciation	<u>1,479,823</u>	<u>1,071,206</u>
Provisions against loans and advances	(47,204)	59,902
Provision for diminution in value of investments	74,899	50,491
Bad debts written off directly	4,990	12,743
	<u>32,685</u>	<u>123,136</u>
<b>Net Mark-up / Return Income after provisions</b>	<u>1,447,138</u>	<u>948,070</u>
<b>NON-MARK-UP INCOME</b>		
Fee, commission and brokerage income	76,064	76,478
Dividend income	31,013	17,985
Income from dealing in foreign currencies	32,942	31,990
Gain / (Loss) on sale of securities	27,833	(25,424)
Unrealized gain on revaluation of investments classified as held for trading	-	1,488
Other income	127,304	82,687
<b>Total Non- Mark-up Income</b>	<u>295,156</u>	<u>185,204</u>
	<u>1,742,294</u>	<u>1,133,274</u>
<b>NON-MARK-UP EXPENSES</b>		
Administrative expenses	1,037,545	846,229
Other charges	3,201	127
<b>Total Non- Mark-up Expenses</b>	<u>1,040,746</u>	<u>846,356</u>
<b>PROFIT BEFORE TAXATION</b>	<u>701,548</u>	<u>286,918</u>
Unappropriated profit brought forward	575,961	288,973
Transferred from Surplus on revaluation of fixed assets-net of tax	70	70
<b>Profit available for appropriation / unremitted profit</b>	<u>1,277,579</u>	<u>575,961</u>

**Note:**

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2009

Number of Share Holders	From	To	Number of Shares Held
1,750	1	100	81,331
3,629	101	500	1,084,331
3,798	501	1,000	2,904,101
9,318	1,001	5,000	26,581,545
4,019	5,001	10,000	28,852,437
1,564	10,001	15,000	18,896,649
639	15,001	20,000	11,251,618
438	20,001	25,000	9,905,762
273	25,001	30,000	7,662,525
159	30,001	35,000	5,244,823
118	35,001	40,000	4,511,749
93	40,001	45,000	4,026,255
106	45,001	50,000	5,187,512
65	50,001	55,000	3,406,056
83	55,001	60,000	4,761,499
33	60,001	65,000	2,082,980
42	65,001	70,000	2,862,614
34	70,001	75,000	2,482,027
31	75,001	80,000	2,413,141
28	80,001	85,000	2,325,921
27	85,001	90,000	2,376,680
12	90,001	95,000	1,108,806
68	95,001	100,000	6,781,032
12	100,001	105,000	1,226,318
23	105,001	110,000	2,469,797
37	110,001	115,000	4,166,113
15	115,001	120,000	1,766,103
20	120,001	125,000	2,444,089
13	125,001	130,000	1,658,879
9	130,001	135,000	1,192,739
12	135,001	140,000	1,655,037
4	140,001	145,000	566,034
16	145,001	150,000	2,375,204
7	150,001	155,000	1,063,054
8	155,001	160,000	1,261,857
9	160,001	165,000	1,469,731
17	165,001	170,000	2,868,538
4	170,001	175,000	696,624
6	175,001	180,000	1,070,352
1	180,001	185,000	183,625
3	185,001	190,000	559,355
5	190,001	195,000	964,799
11	195,001	200,000	2,181,973
7	200,001	205,000	1,411,738
9	205,001	210,000	1,864,430
3	215,001	220,000	649,838
7	220,001	225,000	1,574,831
5	225,001	230,000	1,136,676
4	230,001	235,000	934,792
5	235,001	240,000	1,188,988
4	240,001	245,000	969,316
7	245,001	250,000	1,735,796
11	250,001	255,000	2,784,805
1	255,001	260,000	260,000

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2009

Number of Share Holders	From	To	Number of Shares Held	
5	260,001	-	265,000	1,313,044
1	265,001	-	270,000	266,900
3	270,001	-	275,000	820,998
4	275,001	-	280,000	1,110,946
6	280,001	-	285,000	1,688,876
2	285,001	-	290,000	573,703
3	290,001	-	295,000	879,824
4	295,001	-	300,000	1,194,928
1	305,001	-	310,000	309,850
3	310,001	-	315,000	935,608
5	315,001	-	320,000	1,586,998
1	320,001	-	325,000	325,000
2	325,001	-	330,000	651,937
2	335,001	-	340,000	674,602
1	340,001	-	345,000	345,000
3	345,001	-	350,000	1,041,133
4	350,001	-	355,000	1,409,769
1	355,001	-	360,000	359,150
2	360,001	-	365,000	728,064
4	370,001	-	375,000	1,493,523
3	375,001	-	380,000	1,131,200
2	380,001	-	385,000	763,612
2	385,001	-	390,000	779,250
2	390,001	-	395,000	785,454
1	395,001	-	400,000	398,250
1	405,001	-	410,000	405,562
1	420,001	-	425,000	423,000
3	430,001	-	435,000	1,295,498
1	435,001	-	440,000	438,468
3	440,001	-	445,000	1,323,137
1	445,001	-	450,000	449,619
1	450,001	-	455,000	450,392
1	455,001	-	460,000	457,558
4	465,001	-	470,000	1,869,629
3	470,001	-	475,000	1,418,735
1	475,001	-	480,000	475,124
1	485,001	-	490,000	488,000
1	490,001	-	495,000	490,476
6	495,001	-	500,000	2,997,025
2	500,001	-	505,000	1,005,458
3	505,001	-	510,000	1,522,500
1	510,001	-	515,000	513,090
1	515,001	-	520,000	516,138
1	520,001	-	525,000	523,829
1	530,001	-	535,000	532,041
1	535,001	-	540,000	538,312
2	545,001	-	550,000	1,099,000
1	550,001	-	555,000	552,000
1	555,001	-	560,000	557,426
2	560,001	-	565,000	1,125,712
1	570,001	-	575,000	575,000
2	575,001	-	580,000	1,151,366
3	580,001	-	585,000	1,744,206
1	585,001	-	590,000	588,071

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2009

Number of Share Holders	From	To	Number of Shares Held
1	595,001	600,000	598,145
1	600,001	605,000	604,350
1	625,001	630,000	629,887
1	645,001	650,000	647,494
1	665,001	670,000	665,025
3	670,001	675,000	2,024,840
1	675,001	680,000	679,494
2	680,001	685,000	1,367,447
1	690,001	695,000	692,484
1	695,001	700,000	700,000
1	700,001	705,000	700,266
2	705,001	710,000	1,416,501
1	710,001	715,000	710,061
1	740,001	745,000	744,288
1	755,001	760,000	758,128
1	765,001	770,000	766,800
1	775,001	780,000	776,302
1	805,001	810,000	807,795
2	810,001	815,000	1,621,309
1	835,001	840,000	837,178
1	840,001	845,000	843,750
1	860,001	865,000	864,330
1	890,001	895,000	892,737
1	900,001	905,000	904,800
1	905,001	910,000	905,578
1	960,001	965,000	963,410
1	975,001	980,000	975,025
1	980,001	985,000	981,937
1	995,001	1,000,000	1,000,000
1	1,045,001	1,050,000	1,045,312
1	1,060,001	1,065,000	1,063,461
1	1,080,001	1,085,000	1,084,826
1	1,095,001	1,100,000	1,100,000
1	1,100,001	1,105,000	1,100,563
1	1,115,001	1,120,000	1,116,652
2	1,120,001	1,125,000	2,245,837
1	1,170,001	1,175,000	1,173,766
1	1,185,001	1,190,000	1,189,020
2	1,195,001	1,200,000	2,400,000
1	1,220,001	1,225,000	1,223,716
1	1,270,001	1,275,000	1,274,199
1	1,320,001	1,325,000	1,321,875
1	1,345,001	1,350,000	1,350,000
1	1,380,001	1,385,000	1,382,000
1	1,400,001	1,405,000	1,403,122
1	1,415,001	1,420,000	1,415,714
1	1,420,001	1,425,000	1,423,512
1	1,495,001	1,500,000	1,500,000
1	1,550,001	1,555,000	1,552,353
1	1,595,001	1,600,000	1,600,000
1	1,600,001	1,605,000	1,603,155
1	1,645,001	1,650,000	1,645,229
1	1,685,001	1,690,000	1,688,186
1	1,725,001	1,730,000	1,729,057

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2009

Number of Share Holders	From	To	Number of Shares Held
	1,740,001	-	1,745,000
	1,795,001	-	1,800,000
	1,895,001	-	1,900,000
	2,245,001	-	2,250,000
	2,330,001	-	2,335,000
	2,390,001	-	2,395,000
	2,470,001	-	2,475,000
	2,475,001	-	2,480,000
	2,520,001	-	2,525,000
	2,685,001	-	2,690,000
	2,695,001	-	2,700,000
	2,760,001	-	2,765,000
	2,945,001	-	2,950,000
	3,270,001	-	3,275,000
	3,350,001	-	3,355,000
	3,385,001	-	3,390,000
	3,530,001	-	3,535,000
	3,845,001	-	3,850,000
	4,490,000	-	4,495,000
	4,550,001	-	4,555,000
	4,620,001	-	4,625,000
	4,830,001	-	4,835,000
	4,845,001	-	4,850,000
	5,045,001	-	5,050,000
	5,080,001	-	5,085,000
	5,380,001	-	5,385,000
	6,315,001	-	6,320,000
	6,605,001	-	6,610,000
	7,600,001	-	7,605,000
	7,745,001	-	7,750,000
	8,600,001	-	8,605,000
	8,705,001	-	8,710,000
	10,890,001	-	10,895,000
	11,825,001	-	11,830,000
2	12,515,001	-	12,520,000
	13,495,001	-	13,500,000
	14,475,001	-	14,480,000
	14,650,001	-	14,655,000
	18,255,001	-	18,260,000
	19,095,001	-	19,100,000
	19,125,001	-	19,130,000
	22,470,001	-	22,475,000
	25,685,001	-	25,690,000
	30,020,001	-	30,025,000
	31,305,001	-	31,310,000
	32,145,001	-	32,150,000
	36,690,001	-	36,695,000
	53,965,001	-	53,970,000
	55,040,001	-	55,045,000
	68,805,001	-	68,810,000
	75,685,001	-	75,690,000
2	103,205,001	-	103,210,000
	119,260,001	-	119,265,000
<b>26,856</b>			<b>1,349,156,250</b>



## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2009

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	26,471	941,800,047	69.81
2	Financial Institutions	38	94,388,946	7.00
3	Investment Companies	24	42,985,477	3.19
4	Insurance Companies	16	3,239,690	0.24
5	Mutual Funds	27	56,293,888	4.17
6	Joint Stock Companies	223	97,728,896	7.24
7	Charitable Trusts	4	358,170	0.03
8	Leasing Companies	5	273,624	0.02
9	Modarabas	7	123,144	0.01
10	Cooperative Society	1	12,453	0.00
11	Others	40	111,951,915	8.30
		<b>26,856</b>	<b>1,349,156,250</b>	<b>100.00</b>

# COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2009

Shareholder's Category	Number of Shareholders	Number of Shares Held	Category wise No. of Shares Held	Percentage
1- NIT & ICP	1		16,904,383	1.25
National Bank of Pakistan		16,904,383		
2- Directors & Chief Executive Officer	7		239,556,962	17.76
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan , Director		135,357,930		
Mr. Abdulla Nasser Hawaileel Al Mansoori , Director		96,803,474		
Mr. Abdulla Khalil Al Mutawa , Director		11,331		
Mr. Khalid Mana Saeed Al Otaiba , Director		67,457		
Mr. Ikram Ul Majeed Sehgal , Director		3,352,360		
Mr. Nadeem Iqbal Sheikh , Director		3,387,603		
Mr. Sirajuddin Aziz , Director/CEO		576,807		
3- Executives	433		43,441,846	3.22
4- Public Sector Companies and Corporation	1		604,350	0.04
5- Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds & Others	383		389,847,470	28.90
<b>Trading in shares by Directors, CEO, CFO &amp; Company Secretary</b>		<b>Shares Purchased 2009</b>	<b>Shares Sold 2009</b>	
Mr. Sirajuddin Aziz , Director/CEO		-	101,000	
Mr. Zahid Ali H. Jamall, CFO		-	897,707	
Mrs. Fahmida Jamall (Spouse of Mr. Zahid Ali H. Jamall, CFO)		-	54,459	
<b>Shareholders holding ten percent or more shares</b>				
<b>Total Paid up Capital</b>	1,349,156,250	<b>Shares</b>		
<b>10% of the Paid Up Capital</b>	134,915,625	<b>Shares</b>		
		<b>Holding</b>	<b>%</b>	
H.H. Sheikh Nahayan Mabarak Al Nahayan		150,572,242	11.16	
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan		135,357,930	10.03	

## BRANCHES NETWORK

### KARACHI

#### Main Branch

B.A. Building, I.I.Chundrigar Road.  
Phone : (021) 32414030-39  
UAN No. : 111-777-786  
Fax : 32417006

#### Cloth Market Branch

Cochinwala Market, Luxmidas Street.  
Phone : (021) 32401621-6  
Fax : 32401627-32418896

#### Clifton Branch

Plot No. BC-6, Block-9, Clifton,  
Phone : (021) 35833778-82  
Fax : 35879175

#### Shahrah-e-Faisal Branch

Progressive Square,  
11-A Block-6 PECHS.  
Phone : (021) 34313536-38, 34522441, 34522460  
Fax : 34313539

#### Jodia Bazar Branch

Gulzar Manzil, Jodia Bazar.  
Phone : (021) 32532483-4, 32544816-20  
Fax : 32532485

#### Korangi Industrial Area Branch

Aiwan-e-Sanat,  
Plot No.ST-4/2, Sector 23,  
Korangi Industrial Area.  
Phone : (021) 35065701-2  
Fax : 35050653

#### M.A.Jinnah Road Branch

Plot No.23/1, Zelin Place  
(Habib Bank Building),  
M.A.Jinnah Road/Abdullah  
Haroon Road.  
Phone : (021) 32750627-28,  
Fax : 32750629

#### S.I.T.E. Branch

D-40, Estate Avenue, Siemens Chowrangi, S.I.T.E.  
Phone : (021) 32581247, 32582990-1, 32582116  
Fax : 32582113, 32582115

#### North Karachi Industrial Area Branch

Sector 12-B,  
North Karachi Industrial Area,  
Opp: Police Station Gabol Town.  
Phone : (021) 36986170  
Fax : 36986051

#### Paper Market Branch

Plot No. S.R.7/23,  
Campbell Street, Paper Market.  
Phone : (021) 32211353-58  
Fax : 32211243

#### Gulshan-e-Iqbal Branch

Plot No.SB-15, Block 13-B,  
KDA Scheme No.24,  
University Road, Gulshan-e-Iqbal.  
Phone : (021) 34984937, 34984904,  
34984824, 34984833  
Fax : 34984971

#### Karachi Stock Exchange Branch

18-20, Karachi Stock Exchange Building,  
Stock Exchange Road.  
Phone : (021) 32417515-19  
Fax : 32418353

#### North Napier Road Branch

Surv. No. 35 / Sheet No. NP - 10  
(Old Surv.No.A26/5), Napier Quarters.  
Phone : (021) 32544021-24, 32540065  
Fax : 32540066

#### Bahadurabad Branch

Prime Arcade, Shop No. 1-3,  
Bahadur Shah Zafar Road, Bahadurabad.  
Phone : (021) 34129677-81, 34128578-81  
Fax : 34129676

#### Timber Market Branch

Ground Floor, Sur. No. 15,  
Siddique Wahab Road,  
Lawrence Quarters.  
Phone : (021) 32750635-9  
Fax : 32750632

#### Defence Housing Authority Branch

Plot No. C-12-C  
26th Commercial St. Phase V,  
Defence Housing Authority.  
Phone : (021) 35302639-44  
Fax : 35302635

#### PECHS Branch

Shop No. 3, 154-S, Block-2, P.E.C.H.S.  
Phone : (021) 34535861-2, 34538423-24  
Fax : 34314221

#### Federal 'B' Area Branch

C-28, Block - 13, Federal 'B' Area.  
Phone : (021) 36803041, 36344700, 5 & 6  
Fax : 36803043

**Eidgah Branch**

166, M. A. Jinnah Road, Near Light House  
Phone : (021) 32217290-4 Fax : 32217244

**Marriot Road Branch**

Karachi Survey # 67, Sheet # M.R.1,  
Murad Khan Road, Marriot Road.  
Phone : (021) 32414138-40 & 32412080  
Fax : 32412082

**Hyderi (North Nazimabad) Branch**

Plot # ST-4, Al-Burhan Circle Hyderi,  
Block 'E', North Nazimabad.  
Phone : (021) 36626004, 36626066  
Fax : 36625402

**Gulistan-e-Jauhar Branch**

Yasir Plaza, Block 10-A, Scheme 45,  
Main Rashid Minhas Road,  
Gulshan-e-Iqbal,  
Phone : (021) 34815926-7, 34815930  
Fax : 34815924

**Tipu Sultan Road Branch**

Plot No. 118-119 Z,  
Adamjee Nagar, Tipu Sultan Road.  
Phone : (021) 34398457-9  
Fax : 34398456

**DHA Phase-I Branch**

114, 9th East Street, Phase-I,  
Defence Housing Authority, Main Korangi Road.  
Phone : (021) 35887571-73  
Fax : 35887574

**Hawksbay Road Branch**

KB-28, Haji Ishaq Market, Main Hawksbay Road,  
Opp. Quaid-e-Azam New Truck Stand  
Phone : (021) 32355871, 32355872-74  
Fax : 32355875

**Shershah Branch**

D-283, Main Shershah Road, S.I.T.E.  
Phone : (021) 32585001-4  
Fax : 32585005

**Malir Cantt. Branch**

Old Malir Cantonment Library,  
Cantt Bazar, Malir Cantt.  
Phone : (021) 34904601-2 Fax : 34904603

**Tariq Road Branch**

124/A, Block 2, P.E.C.H.S, Main Tariq Road  
Phone : (021) 34386052-5  
Fax : 34386056

**Landhi Branch**

Area 5-D, Sector 36-E, Landhi Township  
Phone : (021) 35034451-3  
Fax : 35030875

**Gulshan Chowrangi Branch**

Gulshan Chowrangi, Sani Arcade,  
Block- 3, Gulshan-e-Iqbal  
Phone : (021) 34978252, 34993792 Fax : 34985729

**Garden East Branch**

Silver Jubilee Apartment,  
194/2/1, Britto Road,  
Near Ismailia Jamat Khana, Garden East  
Phone : (021) 32238704, 32238717,  
32238722, 32238605  
Fax : 32225941

**DHA Phase IV, Karachi**

Plot No. 80, 10th Commercial Street,  
Phase IV, Defence Housing Authority, Karachi  
Phone: (021) 35312832 - 35  
Fax: 35312837

**Gizri**

K-4/3,  
Ch. Khaleeq uz Zaman Road, Gizri  
Phone: 021-35868991-93 Fax: 021-35867149

**Sea View**

Sahil Promenade, Block 3,  
Scheme 5, Clifton, Karachi  
Phone: 021-35364095-97 Fax: 021-35371259

**Nazimabad**

Al-Kausar Homes, Plot # 2, Block-III,  
Sub-Block "E", Nazimabad, Karachi  
Phone: (021) 36708980-83  
Fax: (021) 36708978

**Saddar Branch**

Shop # 6, State Life Building # 5,  
Abdullah Haroon Road.  
Phone: (021) 35658714-16  
Fax: (021) 35658717

**Johar Chowrangi Branch**

Rufi Shopping Mall Block, 18 Gulistan e Johar  
Phone : (021) 34638114, 34015966-7  
Fax : 34638115

**Nagan Chowrangi Branch**

Plot # SC-28, Sector 11-H, North Karachi, Karachi  
Phone : (021) 36957622-621  
Fax : 36957176



**Jamshed Road Branch**

Ashfaque Plaza, Jamshed Quarters,  
New M.A. Jinnah Road, Karachi  
Phone : (021)-34860794-95 Fax : 34860793

**Gulshan-e-Hadeed Branch**

8329 Phase I, Sub-Sector, 8-C/1, Bin Qasim  
Phone : (021) 34721406 Fax : 34721407

**Akbar Road Branch**

Plot # 294, AM-3, Artillery Maidan Quarters,  
Preedy Street, Saddar  
Phone : (021) 32725107, 32725146, 32724939  
Fax : 32724928

**Steel Market Branch**

Plot # 8 & 9/D-1, S.R. 1, Liaquat Market,  
Serai Quarters, Opp New Memon Masjid,  
M.A. Jinnah Road  
Phone : (021) 32422679, 627, 774 Fax : 32422526

**Malir City Branch**

H-11/11, Liaquat Market, Malir Town  
Phone : (021) 34117134-35 Fax : 34117156

**West Wharf Branch**

Sultan Centre, Plot # 11, West Wharf  
Phone : (021) 32205966-67 Fax : 32205990-92

**Liaquatabad Branch**

Plot No 21, 22 & 23, Commercial Area,  
Block 7, Liaquatabad, Karachi  
Phone : (021) 34911794-7 Fax : 34911793

**Urdu Bazar Branch**

Plot No. RB 10/16-III, A210, Ram Bagh, Urdu Bazar,  
M.A. Jinnah Road, Karachi  
Phone : (021) 32214185-89 Fax : 32214183

**Abul Hasan Ispahani Road Branch**

Sani Corner, Sector-22, KDA Scheme 33, Abul  
Hasan Isphani Road, Karachi  
Fax : 021-34974487

**Hussainabad Branch**

R-471, Block 2, KDA Scheme 16,  
Hussainabad, F.B. Area Karachi  
Phone : (021) 36337646-47 Fax : 36337648

**HYDERABAD**

Plot No.476/1 & 476/2,  
adjacent to Hotel Faran, Saddar.  
Phone : (022) 2786020-22, 2784242  
Fax : 2786023

**Grain Market Branch**

Aman Center, Price Ali Road Hirabad  
Phone : (022)-2660611-5 Fax : 2660620

**SUKKUR**

B-2823/B-2851, Frere Road, Sarafa Bazar.  
Phone : (071) 5628175, 5624753, 5624750  
Fax : 5628176

**NAWABSHAH**

Municipal Office Chowk, Katchery Road  
Phone : (0244)330723-25 Fax : 330729

**QUETTA****M.A. Jinnah Road Branch**

Property No.2-12(1), M.A.Jinnah Road.  
Phone : (081) 111-777-786, 2841180-83  
Fax : 2827562

**Hazar Gunji Branch**

Plot No. 332, 333, 334, Truck Stand, Hazar Gunji.  
Phone : (081) 2460520, 2460821 Fax : 2460519

**Shahrah-e-Iqbal Branch**

Cut Piece Cloth Market, Shahrah-e-Iqbal  
Phone : (081) 2834425, 2834429  
Fax : 2827270

**Double Road**

Arbab Plaza, Double Road, Quetta  
Phone : (081) 2441961-62, 2441663  
Fax : (081) 2441665

**Model Town Quetta Branch**

Plot # 35-B, Model Town, Quetta Cantt.  
Phone (081) 2832130 Fax : 2827329

**Liaquat Bazar Branch**

Liaquat Bazar, Quetta  
Phone (081) 2838033-34 Fax : 2838025

**CHAMAN**

Trunch Road,  
Phone : (0826) 613440, 612541 Fax : 613488

**GAWADAR**

Airport Road, Gawadar  
Phone : (0864) 211796-98 Fax : 210185

**JACOBABAD**

Quaid-e-Azam Road, Jacobabad  
Phone : 0722-650935-36 Fax : 0722-650930

**MIRPURKHAS**

Plot # 864/7, Adam Town,  
Main Mmerkot Road,  
Phone : (02338) 74466, 74686 Fax : 75127

**LARKANA**

Bunder Road  
Phone : (074) 4055712, 4055812, 4055360  
Fax : 5053962

**LAHORE****LDA Plaza Branch**

LDA Plaza, Kashmir Road.  
Phone : (042) 36306201-05  
Fax : 36301193, 36368905

**Gulberg Branch**

125/E-I, Gulberg-III, Main Boulevard.  
Phone : (042) 35877800-8  
Fax : 35754900, 35877807

**Defence Branch**

G-9, Commercial Area, Phase-I, LCCHS.  
Phone : (042) 35729722-26  
Fax : 35729727, 35733591

**Circular Road Branch**

A-43/A, Opp: Mazar Hazrat Shah  
Mohammad Ghous, Circular Road.  
Phone : (042) 37638256-8 Fax : 37653384

**Township Branch**

47-B/1, Block 10,  
Akbar Chowk, Township.  
Phone : (042) 35152831-6 Fax : 35113716

**Badami Bagh Branch**

29-30 PECO Road, Badami Bagh.  
Phone : (042) 37704961-66  
Fax : 37728636, 37728074

**Allama Iqbal Town Branch**

36, College Block, Allam Iqbal Town.  
Phone : (042) 35432961-5 Fax : 35432960

**Shah Alam Market Branch**

Hilal-e-Ahmar Health Complex,  
Shah Alam Market.  
Phone : (042) 37673401-6 Fax : 37673409

**Shadman Market Branch**

88, Shadman-1  
Phone : (042) 37538116-20 Fax : 37538129

**Tufail Road Branch**

50/3, Tufail Road.  
Phone : (042) 36689016-19 Fax : 36688374

**Lahore Stock Exchange Branch**

Basement Level - 2,  
Lahore Stock Exchange Building,  
19, Khayaban-e-Iqbal.  
Phone : (042) 36307461-68 Fax : 36307460

**Baghbanpura Branch**

G.T. Road, Baghbanpura, Lahore.  
Phone : (042) 36844006-09 Fax : 36844010

**Ravi Road Branch**

13 Ravi Raod.  
Phone : (042) 37708661-64 Fax : 37708660

**Liberty Branch**

10-C, Commercial Area,  
Liberty Market, Gulberg-III.  
Phone : (042) 35789431-34 Fax : 35755226

**Raiwind Road Branch**

Thoker Niaz Beg, Raiwind Road.  
Phone : (042) 35314671-5 Fax : 35314678

**Shahdin Manzil Branch**

Shahdin Manzil,  
Faysal Chowk, Mall Road.  
Phone : (042) 36012000-30, 36300581, 36300586  
Fax : 36300589

**DHA Extension Branch**

Divine Centre, Near Bhatta Chowk,  
New Airport Road, Lahore Cantt  
Phone : (042) 35700301-309 Fax : 35700213

**Azam Cloth Market Branch**

Raheem Centre, Akbar Block,  
Azam Cloth Market  
Phone : (042) 37643851-55 Fax : 37643860

**Shad Bagh Branch**

37, Umer Din Road, Wassanpura  
Phone : (042) 37616252-56 Fax : 36260295

**Ferozpur Road Branch**

18-KM Main Ferozpur Road  
Phone : (042) 35807812-14 Fax : 35807813

**Shahdara Branch**

Main G.T. Road, Shahdara Chowk  
Phone : (042) 37900290 Fax : 37900291

**Walton Road Branch**

E-28/A, Main Walton Road  
Phone : (042) 36602334-8  
Fax : 36687391



**Urdu Bazar Branch**

Main Kabir Street  
Phone : (042) 37210644 Fax : 37210647

**Brandreth Road Branch**

91-A, Brandreth Road, Near Australia Building  
Phone : (042) 37674115-18 Fax : 37637306

**DHA Phase II Branch**

65 CCA, Phase-II, DHA  
Phone : (042) 35707581-4 Fax : 35707580

**Ghari Shahu Branch**

99-A, Allama Iqbal Road, Ghari Shahu  
Phone : (042) 36372656, 36371001 Fax : 36360962

**Model Town, Lahore**

13 Bank Square, Central Commercial Market,  
Model Town Lahore  
Phone: (042) 35884670-72 Fax: 35884675

**Cavalry Ground, Lahore**

35 Main Boulevard,  
Officers Housing Scheme,  
Cavalry Ground Lahore  
Phone: (042) 36610531-32, 36610534  
Fax: 36610536

**Chuburji**

24-Niaz View Scheme, Rewaz Garden,  
Chuburji, Lahore  
Phone: (042) 37356640-42  
Fax: 37222236

**Main Market Gulberg**

32-E-Main Market, Gulberg II, Lahore  
Phone: 042-35786955- 59  
Fax: 042-35786964

**Montgomery Road Branch**

65-Montgomery Road, Lahore  
Phone : (042) 36303081-4 Fax : 36303085

**Jauhar Town Branch**

Plot No. 435, Block G-1  
M.A. Johar Town, Lahore  
Phone : (042)- 35281081-5 Fax : 35291090

**Bedian Road Branch**

Phone : (042) 37088164  
Fax : 35742694

**Fortress Stadium Branch**

Phone : (042) 36623082-86  
Fax : 36623087

**Wapda Town Branch**

Plot No. 189, Block-F, PIA Society,  
Wapda Town Round About  
Phone : (042) 35211574 Fax : 35211576

**Ichra Branch**

112- Ferozepur Road, Ichra, Lahore  
Phone : (042) 37539604-5 Fax : 37539608

**Bund Road Branch**

Main Bund Road,  
Near Gulshan-e-Ravi Chowk, Lahore  
Phone : (042) 37404868-72 Fax : 37404867

**Zarar Shaheed Road -**

**Guldasht Town Branch**  
Zarar Shaheed Road, Guldasht Town, Lahore  
Phone : (042) 36635969  
Fax : 36635968

**EME Society Branch**

50-A, Mohafiz Town,  
Near EME Society Main Gate, Lahore

**ISLAMABAD****Blue Area Branch**

1-B, Awan Arcade, Jinnah Avenue, Blue Area.  
Phone : (051) 2810136-49  
Fax : 2279897

**I-10 Markaz Branch**

4-A, I-10 Markaz  
Phone : (051) 4435804-6 Fax : 4435807

**F-7 Markaz Branch**

13-U, F-7 Markaz, Jinnah Super Market, Islamabad  
Phone : (051) 2653944-49 Fax : 2653940

**Stock Exchange Branch**

Office No. 5, 55-B,  
Islamabad Stock Exchange Tower  
Phone : (051) 2894071-74 Fax : 2894075

**F-10 Markaz Branch**

4-D, Urfi Centre, Markaz F-10  
Phone : (051) 2809704-08 Fax : 2809700

**I-8 Markaz Branch**

Plot No. 34, I-8 Markaz  
Phone : (051) 4862563-6 Fax : 4862567

**G-9 Markaz, Islamabad**

G-9 Markaz, 39 Paragon Plaza  
Phone: (051) 2253002-3 Fax: 2854932



**F-8 Markaz, Islamabad**

Shop No. 2 & 3, Al-Babar Centre,  
F-8 Markaz, Islamabad  
Phone: (051) 2818044-6, 2854615  
Fax: 2260270

**Grain Market Branch**

Shop # 40-41, Fruit Market, I-11/4  
Phone : (051) 4436901-3 Fax : 4438828

**Bhara Kahu Branch**

Main Muree Road, Bhara Kahu  
Phone : (051) 2233635 Fax : 2233636

**G-11 Markaz Branch**

Sardar Arcade, G-11 Markaz  
Phone : (051) 2830259, 2830260  
Fax : (051) 2830264

**Tarnol Branch**

Al-Noor Plaza, GT Road, Tarnol,  
Tehsil & District Islamabad  
Phone : (051) 2226621-23 Fax : (051) 2226626

**RAWALPINDI****The Mall Branch**

8, The Mall  
Phone : (051) 5700038-40 Fax : 5700042, 5700029

**Satellite Town Branch**

B/20, North Star Plaza, Satellite Town, Murree Road.  
Phone : (051) 4424080-6 Fax : 4424087

**Jinnah Road Branch**

A-351, Jinnah Road (Old City Saddar Road).  
Phone : (051) 5775325-8 Fax : 5775324

**Lalazar Branch**

Tulsa Road, Lalazar  
Phone : (051) 5524904-5 Fax : 5527814

**Chaklala Branch**

59, Shah Plaza, Commercial Area,  
Chaklala Scheme III  
Phone : (051) 5766003-4 Fax : 5766005

**College Road Branch**

E/20-26, College Road  
Phone : 051 - 5762008, 5762010 Fax : 5762007

**Peshawar Road Branch**

Plot No. 400/2, Gammon House,  
Peshawar Road, Rawalpindi  
Phone : (051) 5468401-2 Fax : 5468403

**Airport Road**

7-Fazal Town, Airport Link Road, Rawalpindi  
Phone: (051) 5706022-23 Fax: 5781483

**Khanna Branch**

Adil Tahir Plaza, Service Road,  
Al-Noor Colony, Sector 3  
Phone: (051) 4479290-3,  
Fax: (051) 4479295

**Chowk Sadiqabad Branch**

Shop # 2-6, Abassi Tower, Multan Town  
Phone : (051) 4423078-81 Fax : 4480226

**Kahuta Branch**

Tehseen Plaza, PAF Road  
Phone : (051) 3313625-29 Fax : 3313630

**Adamjee Road Branch**

Adamjee Road, Saddar, Rawalpindi Cantt.  
Phone : (051) 5563728 Fax : 5563730

**Tench Bhatta Branch**

Plot # 396/C, Main Bazar,  
Tench Bhatta, Rawalpindi Cantt.  
Phone : (051) 5520475 Fax : 5520466

**FATEH JANG**

Rawalpindi Road, Fateh Jang,  
Phone : (0572)-210837-38 Fax : 210839

**TAXILA**

Kohistan Complex, G. T. Road  
Phone : (051) 4535016-17 Fax : 4535015

**WAH CANTT**

4-1/100, Officers Colony, The Mall.  
Phone : (0514) 539426-28  
Fax : 511980

**FAISALABAD****Main Branch**

Ground Floor, State Life Building, Liaquat Road.  
Phone : (041) 2617436-9  
Fax : 2617432, 2640834

**Peoples Colony Branch**

17-A/2, Sir Fazal Hussain Road, Opp. Radio Station,  
Peoples Colony No. 1, Faisalabad  
Phone : (041) 8722636-39  
Fax : 8722184

## BRANCHES NETWORK

### **Susan Road Branch**

25-Z-101, Susan Road, Madina Town  
Phone : (041) 8556673-75 Fax : 8556679

### **Rail Bazar Branch**

Property No. P-81, Rail Bazar  
Phone : (041) 2540801-2 Fax : 2540803

### **Yarn Market Branch**

P-78, Street No. 3  
Yarn Market, Montgomery Bazar  
Phone : (041) 2605806-7 Fax : 2621487

### **Minerva Road Branch**

P-64-B, Menerva Road  
Phone : (041) 2540763- 5  
Fax : 2540759

### **Sheikhupura Road, Faisalabad**

P - 352-A, Gulistan Colony II,  
Millat Chowk, Sheikhupura Road, Faisalabad  
Phone : 041-8582141 - 3  
Fax : 041-8582147

### **Babar Chowk Branch**

641-A, Peoples Colony Extension, Babar Chowk  
Phone : (041)- 8557421-22  
Fax : 8557424

### **Khurrianwala Branch**

Main Bazar, Jhumra Road  
Phone : (041) 4361080-81  
Fax : 4361082

### **Samanabad Branch**

P-9, Main Road, Samanabad, Faisalabad  
Phone (041) 2561502-03 Fax : 2561504

### **Samundri Branch**

P-35/36, Grain Market,  
Gojra Road, Samundri  
Phone : (041) 3424356-7  
Fax : (041) 3424355

### **Sabzi Mandi Branch**

New Fruit & Vegetable Market, Chak No. 245-RB,  
Near Sidhar Bypass, Tehsil Sadar, Faisalabad  
Phone : (041) 2518823-4  
Fax : (041) 2518825

## **PESHAWAR**

### **Peshawar Cantt. Branch**

6-B, Islamia Road.  
Phone : (091) 5287051-7 Fax : 5287058

### **Peshawar City Branch**

Shoba Chowk, Park Inn Hotel Building,  
Khyber Bazar, Peshawar City.  
Phone : (091) 2590023-26 Fax : 2551380

### **Hayatabad Karkhano**

Shop No. B-29 & 30, J.B. Plaza,  
Karkhano Market, Hayatabad, Jamrud Road,  
Phone : (091) 5822902-5 Fax : 5822908

### **G.T. Road Branch**

1045-1046, Hashtnagri,  
Opp: Sarhad Chamber of Commerce, G.T. Road  
Phone : 091-2593002-6 Fax : 2593001

### **Peepal Mandi Branch**

Ashraf China Trade Center Peepal Mandi, Peshawar  
Phone : (091) 2564911-4 Fax : (091)-2564910

### **Jamrud Road, Peashwar**

Saif Shopping Plaza,  
Phase III Chowk, Jamrud Road  
Phone : (091) 5710753-7 Fax : 5710758

### **Bakhshi Pul Branch**

Bakhshi Pul Charsada Road,  
Tehsil & District Peshawar  
Phone : (091) 2582304-6 Fax : 2582307

## **ATTOCK**

Opposite Session Chowk, Attock Cantt.

Phone : (057) 2701557-58  
UAN : 111-777-786  
Fax : 2700248

## **GHOURGHUSTHI**

Timber Market, Main Mandi Road,  
Ghourghushti, Tehsil Hazro  
Phone : (057) 2872914-15 Fax : 2872916

## **KAMRA**

Attock Road, Kamra  
Phone : (057)-9317423-25  
Fax : 9317420

## **HANGU**

Saif-ur-Rehman Market, Opp:  
DCO Bungalow, Kohat Road,  
Main Bazar  
Phone : (0925) 624641-43  
Fax : 624644



**MULTAN****Abdali Road Branch**

62-A, Abdali Road.

Phone : (061) 4546792-6 Fax : 4570233, 4540970

**Vehari Road Branch**

618/B, Vehari Road.

Phone : (061) 6244492-95 Fax : 6244496

**Hussain Agahi Branch**

Hussain Agahi Road

Phone : (061) 4577242, 457725  
Fax : 4577232**Chowk Shaeedan Branch**

Akbar Road, Chowk Shaheedan

Phone : (061) 4579021-23, 4588807 Fax : 4579024

**Shahrukn-e-Alam Branch**

230-A Main Road, Shahrukn-e-Alam, Multan.

Phone : (061)-6784201-4 Fax : 6784205

**Bosan Road Branch**

262-B, Gulgasht Colony, Bosan Road

Phone : (061) 6210367-70 Fax : 6210363

**Lodhran Branch**

27-2, Ward # 6, Main Multan Road

Phone : (0608) 361700-704 Fax : 363005

**SIALKOT**

40/A, Paris Road.

Phone : (052) 4591741, 4591442

Fax : 4591742, 4593210

**Sambrial Branch**

G.T. Road, Sambrial, District Sialkot

Phone : (052) 6522801-2 Fax : 6522803

**RAHIM YAR KHAN**

12-A, Model Town, Shahi Road.

Phone : (068) 5879880-1, 5885970 Fax : 5879882

**GUJRANWALA**

Opposite Iqbal High School, G.T. Road, Gujranwala

Phone : (055) 3859931-3, 3847031-33

Fax : 3856471, 3255295

**Satellite Town Branch**

40-A Satellite Town

Phone : (055) 3253622-24 Fax : 3251423

**SAHIWAL**

183-Sarwar Shaheed Road.

Phone : (040) 4467691-95 Fax : 4467696

**SARGODHA**

91-C/2 University Road, Sargodha

Phone : (048) 3724138-9 Fax : 3724193

**CHAK NO. 111 SB**Pull III, Main Faisalabad,  
Sargodha Road, District Sargodha

Phone : (048) 3791158, 3792066 Fax : 3791169

**GUJRAT**

G.T.S. Chowk, G.T. Road, Gujrat

Phone : (053) 3530069-3530219 Fax : 3530319

**MARDAN**

Mall Road, Mardan Cantt.

Phone : (0937) 873631-3 Fax : 873733

**BAHAWALPUR**

Opposite BVH, Circular Road.

Phone : (062) 2889922-5 Fax : 2889874

**CHINIOT**

1-A, Shahrah-e-Quaid-e-Azam

Phone : (047) 6337704-5 Fax : 6337706

**DASKA**

Gujranwala Road

Phone : (052) 6616834-35 Fax : 6619650

**HAFIZABAD**

Sagar Road, Hafizabad

Phone : (0547) 540801, 540806-7 Fax : 540804

**Jalalpur Bhattian Branch**Mouza Jalalpur Bhattian, Tehsil Pindi Bhattian,  
District, Hafizabad

Phone : (0547) 501275-6 Fax : 501282

**CHICHAWATNI**

1-Railway Road, Rai House,

Chichawatni District Sahiwal

Phone : (0405) 487802-6 Fax : 487807



**ARIFWALA**

47/D, Zain Palace, Qaboola Road  
Phone : (0457) 835711-12-13 Fax : 835717

**PAKPATTAN**

159 - Main College Road  
Phone : (0457) 376020-22 Fax : 376024

**DERA GHAZI KHAN**

Jampur Road, Dera Ghazi Khan  
Phone : (064) 2468201-6 Fax : 2468104

**MINGORA, SWAT**

Khasra No.95, Makan Bagh,  
Saidu Sharif Road, Opposite PTCL Office.  
Phone : (0946) 726745-6, 726740-4  
Fax : 726747

**JHELUM**

Bungalow No.67, Kazam Kamal Road.  
Phone : (0544) 610162, 610172, 610182  
Fax : 610050

**MIAN CHANNU**

Ghazi Morr, G.T. Road.  
Phone : (065) 2665301-4 Fax : 2665484

**SHEIKHUPURA**

Main Lahore-Sargodha Road.  
Phone : (056) 3614977-9 Fax : 3787974, 3614976

**DERA ISMAIL KHAN**

Plot # 3666-B, Kashmir Chowk,  
North Circular Road,  
Phone : (0966) 720609, 720610  
Fax : 720607

**OKARA**

Plot No. 14, Sahiwal Road.  
Phone : (0442) 550418-22 Fax : 550423

**ABBOTTABAD**

191, Supply Bazar,  
Main Mansehra Road.  
Phone : (0992) 344723-6 Fax : 344728

**JHANG**

9-D, Yousuf Shah Road, Jhang Saddar.  
Phone : (047) 7624701-3 Fax : 7624704

**TOBA TEK SINGH**

105-Farooq Road, Mohallah Jamia Masjid.  
Phone : (0462) 517838-9 Fax : 517841

**BUREWALA**

95-C, Al-Aziz Market, College Road.  
Phone : (067) 3771901-4 Fax : 3771905

**KOHAT**

Bannur Road, Kohat Cantt.  
Phone : (0922) 522792-5 Fax : 522798

**SADIQABAD**

28-29 D, Allama Iqbal Road.  
Phone : (068) 5802501-4 Fax : 5802704

**MANDI BHAUDDIN**

Kutchery Road, Mandi Bahaiddin  
Phone : (0546) 520921-23 Fax : 507886

**LALA MUSA**

G.T. Road, Near Ghala Mandi  
Phone : (053) 7518368, 7518370, 7518780  
Fax : 7518070

**AHMEDPUR EAST BRANCH**

Kutchery Road, Near MEPCO Office  
Phone : (062) 2275504-6 Fax : 2275503

**DAHARKI**

Zafar Bazar, Daharki  
Phone : (0723) 642868 643549, 641217  
Fax : 644040

**GHOTKI**

1-13, Station Road  
Phone : (0723) 680112-14 Fax : 680118

**HAROONABAD**

15-C/16-C, Ghalla Mandi  
Phone : (063) 2256401-4 Fax : 2256458

**HASILPUR**

17-D, Baldia Road, Hasilpur  
Phone : (062) 2448078, 2448090, 2448075  
Fax : 2441071

**KHARIAN**

1, Rizwan Plaza, Main G.T. Road  
Phone : (053) 7536241-43 Fax : 7536245

**GILGIT**

Shahrah-e-Quaid-e-Azam,  
Near Radio Station, Jutial, Gilgit  
Phone : (05811) 51904-07 Fax : 51903

**CHAKWAL**

City Trade Centre, Tehsil Chowk,  
Rawalpindi Raod  
Phone : (0543) 555206-218 Fax : 555220

**BHALWAL**

451, Liaqat Shaheed Road, Bhalwal  
Phone : (048) 6643709- 6644863  
Fax : 6642647

**KASUR**

Shop No. 8-12, Adjacent to Mazar  
Hazrat Baba Bulley Shah, Rail Road  
Phone : (0492) 765218-9  
Fax : 770890

**Pattoki Branch**

Allama Iqbal Road, District Kasur  
Phone : (049) 4421071-3  
Fax : 4421075

**MANSEHRA**

Punjab Chowk, Shahrah-e-Resham  
Phone : (0997) 303591, 303592  
Fax : 300597

**Oghi Branch**

Main Bazar, District Mansehra  
Phone: (0997) 321949 Fax: (0997) 321357

**BANNU**

Gowshala Road, Fatima Khel  
Phone : (0928) 614633-36 Fax : 614099

**CHITRAL**

D.C. Office Road,  
Opposite Mountain Inn Hotel, Attalique Bazar  
Phone : (0943) 414396, 414367 Fax : 412988

**HAZRO**

273-M, Main Hattian Road  
Phone : (057) 2313771-2 Fax : 2313773

**KOTLA**

Bhimber Road, Kotla Arab Ali Khan,  
Tehsil Kharian, Distt. Gujrat  
Phone : (0537) 586892, 586915, 586435  
Fax : 586337

**MIRPUR, AZAD JAMMU & KASHMIR**

114, Sector F-1, Kotli Road, Mirpur,  
Azad Jammu & Kashmir  
Phone : (05827) 436834-7 Fax : 436838

**KALLAR SYEDAN**

Ghousia Shopping Centre,  
Choa Road, Kallar Syedan  
Phone : (051) 3572016 Fax : 3570227

**GUJAR KHAN**

58-D & 59-C, Akbar Kiani Shopping Mall,  
G.T. Road, Gujar Khan  
Phone : 051 - 3515704-707  
Fax : 051 - 3515703

**GOJRA**

P -85, Block III, Bohar Wali Gali, Gojra  
Phone : 046-3517675-7  
Fax : 046- 3517878

**MURIDKE**

G.T. Road, Muridke  
Phone : (042) 7983173-75  
Fax : (042) 7983172

**JARANWALA**

P -813, Street No. 3,  
Nia Bazar, Jaranwala  
Phone : (041) 4319003-4  
Fax : (041) 4319005



**BAHA WALNAGAR**

Shop # 6, Ghallah Mandi, Bahawalnagar  
 (063) 2272005-8 (063) 2277437

**MUZAFFARGARH**

Mauza Taliri, Multan Road,  
 Distt. Muzaffargarh  
 (0662) 428920-23 (0662) 428931

**KHANPUR**

Kutchery Road, Model Town, Khanpur  
 (068)5577502 - 3, 5577617, 5577627  
 (068) 5577805

**HARIPUR**

Main Shahrah-e-Hazara, G.T. Road, Haripur  
 Phone : (0995) 627451-2  
 Fax : (0995) 627831

**DINGA**

Thana Road, Dinga, Distt. Gujrat  
 Phone : (053) 7404844-46  
 Fax : (053) 7404840

**WAZIRABAD**

Sialkot Road, Wazirabad, Distt. Gujranwala  
 Phone : (055) 6609460, 6609470, 6609480  
 Fax : (055) 6609450

**JAUHARABAD**

Plot # 2, Block # 2, Jauharabad, District Khushab  
 Phone: (0454) 723761-2 Fax: (0454) 723758

**Mandi Qaidabad Branch**

Plot # 156/1, Block-D,  
 Railway Road, District Khushab  
 Phone : (0454) 880055-56  
 Fax : 880057

**MANDI FAIZABAD**

Main Jaranwala Road, Mandi Faizabad  
 Phone: (056) 2881032-5,  
 Fax: (056) 2882086

**Nankana Sahib Branch**

53-Grain Market  
 Phone : (056) 28877580-2 Fax : 2877577

**MIANWALI**

Watta Khel Chowk, Sargodha Road, Mianwali  
 Phone : (0459) 237794-6, Fax : 237791

**BHERA**

Circular Road, Darwaza Chakwala, Behra  
 Phone : (048) 6692162-3,  
 Fax : 6692161

**TALAGANG**

Taqi Plaza,  
 Chakwal Road, Talagang  
 Phone : (0543) 410791-4 Fax : (0543) 411030

**MURREE**

Sharjah Center, Mall Road,  
 Phone : (051)-3413210-2 Fax : 3413149

**DINA**

Mahfooz Plaza, G T Road, District Jhelum  
 Phone : (0544)-632723-4  
 Fax : 632557

**KHANEWAL**

Cinema Road, Chak # 89-10/R, District Khanewal  
 Phone : (065) 2555701-4, Fax : 2555710

**JINNAH COLONY, JAHANIA**

Main By Pass Road,  
 Tehsil Jahania, District Khanewal  
 Phone (065) 2211901-4  
 Fax : 2211906

**PIR MAHAL**

Mohallah Kasurabad, Rajana Road, Pir Mahal  
 Phone : (046)-3366430-31 & 3366381  
 Fax : 3366382

**DEPALPUR**

Kutchery Road, Depalpur  
 Phone : (044)-4542223-25 Fax : 4542220

**NAROWAL**

496/A, Circular Road  
 Phone : (0542) 413300-9 Fax : 413310

**LORALAI**

1062-1063, Zhob Road  
Phone : (0824) 660852-5 Fax : 660851

**BHAKKAR**

Plot # 458, Dagar Gharbi, Jhang Road  
Phone : (0453) 516068-70 Fax : 516071

**SKARDU**

Hussaini Chowk  
Phone : (05831) 54700-703 Fax : 54704

**TURBAT**

Main Road, Turbat  
Phone : (0852) 411557-58 Fax : 411417

**BATTAGRAM**

Opposite D.H.Q. Hospital,  
Shahrah-e- Resham  
Phone : (0997) 310375 Fax : 310377

**CHISHTIAN**

29-B, Ghallah Mandi, Chishtian,  
District Bahawalnagar  
Phone : 063-2509145-6 Fax : 063-2509455

**SHAKARGARH**

Ayub Market, Railway Road,  
Shakargarh, District Norwal  
Phone : 0542-453001-09 Fax : 0542-453010

**CHENAB NAGAR - RABWAH**

P-4, Block 14, Gole Bazar,  
Chenab Nagar, Rabwah, District Chiniot  
Phone : 047-6214470-1 Fax : 047-6214475

**HAVELIAN**

Tanoli Plaza, Ameer Muawya Chowk, Havelian  
Bazar, Havelian, District Abbottabad  
Phone : 0992-812006-8 Fax : 0992-812009

**KAMOKE**

G.T. Road, Kamoke, District Gujranwala  
Phone : 055-6815791-2 055-6815796  
Fax : 055-6815790

**PISHIN**

Bund Road, Pishin  
Phone : 0826-420744-5 Fax : 0826-420748

**SWABI**

Swabi Bazar, Mardan Swabi Road,  
Maneri Payan, Swabi  
Phone : 0938-223811-3 Fax : 0938-223814

**CHOA SAIDAN SHAH**

Rab Nawaz House, Chakwal Road, Choa Saidan  
Shah, District Chakwal  
Phone : 0543-580862-64 Fax : 0543-580865

**ISLAMIC BANKING BRANCHES****Uni-Tower, Karachi**

213 - Uni-Towers,  
I.I.Chundrigar Road.  
Phone : (021) 32472295-8 Fax : 32472141

**Shahrah-e-Faisal, Karachi**

Ground Floor, Fortune Center, Shahrah-e-Faisal.  
Phone : (021) 34315271-4 Fax : 34313581

**Jodia Bazar**

Plot No. 112, Durya Lal Street,  
Jodia Bazar, Karachi  
Phone : (021) 32446542- 5 Fax : (021) 32430492

**Gulistan-e-Jauhar**

Pakistan Tulip Valley Plot No. SB-1,  
Block # 1, Gulistan-e-Jouhar  
Phone : (021) 34661355-7 Fax : (021) 34661359

**Korangi Industrial Area**

Shop No. 1, Plot # 27/28, Sector-16  
Korangi Industrial Area, Karachi  
Phone : (021) 35061661-4  
Fax : (021) 35067031

**Gulshan-e-Iqbal**

Plot # 40-B, Block#13-A,  
KDA Scheme No. 24,  
Gulshan-e-Iqbal, Karachi  
Phone : (021) 34144650- 52  
Fax : (021) 34144653

**North Nazimabad, Karachi**

D-3, Block A, North Nazimabad  
Phone : (021) 36633133 & 36633177  
Fax : 36633135





**DHA Branch, Karachi**

23-C, Main Khayabane-e-Ittehad,  
Phase II Extension, DHA, Karachi  
Phone : (021) 35313873-80  
Fax : 35313872

**Dhorajee, Karachi**

Plot # 35/127 Block 7 & 8  
C.P. Berar Cooperative Housing Society  
Phone : (021) 34860321-2 Fax : 34860320

**Port Qasim, Karachi**

Plot # W-2/1/1, to W-2/1/3,  
North Western Industrial Town  
Phone : (021) 34750439, 34750444-445  
Fax : 34750438

**F.B. Area, Karachi**

Ground Floor, Shamim Apartments, Block 10  
Phone : (021) 36362194, 36362197  
Fax : 36362226

**SITE II, Karachi**

Plot # B-24/A,  
SITE II (Super Highway Phase I)  
Phone : (021) 36881246-7  
Fax : 36881249

**Orangi Town, Karachi**

Plot # LS32, 33 & 43, Sector 11,  
Near Round About # 5, Orangi Town, Karachi  
Phone : (021) 36662271-72 Fax : 36662264

**North Karachi**

Shop # 3-11 Sarah View Phase II Sector 11-B,  
North Karachi, Karachi  
Phone : (021) 36964648-49 Fax : 36964739

**Main Branch, Lahore**

66-Main Boulevard, Gulberg.  
Phone : (042) 35781841-55  
Fax : 35781875, 35781856

**McLeod Road, Lahore**

Abid Plaza, 13, McLeod Road.  
Phone : (042) 37211631-5 Fax : 37211640

**New Garden Town, Lahore**

Awami Complex Block # 1, New Garden Town.  
Phone : (042) 35846374-85 Fax : 35846386

**Y Block, Lahore**

93-Y, Commercial Area, Phase III,  
Defence Housing Authority.  
Phone : (042) 35746191-5 Fax : 35746190

**Johar Town, Lahore**

69-R-I, M.A. Johar Town.  
Phone : (042) 35313401-05  
Fax : 35313406

**Zarrar Shaheed Road**

1500-F, Dubai Chowk, Zarrar Shaheed Road,  
Lahore Cantt., Lahore  
Phone : (042) 36613855-62  
Fax : (042) 36673224

**Gulshan-e-Ravi**

Block F, Main Road,  
Gulshan-e-Ravi Lahore  
Phone : (042) 37404811-20  
Fax : (042) 37404821

**Qurtaba Chowk**

Rehman Chambers, Qurtaba Chowk,  
Mozang Chungi, Lahore  
Phone : (042) 37114612-16  
Fax : (042) 37114618

**Mughalpura Branch**

Opposite Ialpul, Jehangir Raod, Mughalpura  
Phone: (042) 36524701-09,  
Fax: (042) 36524710

**Multan Road, Lahore**

Opposite Benz Factory,  
Main Multan Road, Lahore  
Phone : (042) 37490041-5  
Fax : 37490046

**Wahdat Road, Lahore**

14-Main Wahdat Road, Lahore  
Phone (042) 37502811-15, Fax : 37502820

**Chung Branch, Lahore**

Chung Stop, Main Multan Road,  
Phone : (042) 37499215-19  
Fax : 37499220

**Kot Abdul Malik, Lahore**

Kot Abdul Malik, Main Lahore, Shekhupura Road,  
Phone : (042) 37902536, 37902539  
Fax : 37902540

**Shah Alam, Lahore**

139-Main Circular Road, Chowk Shah Alam  
Phone (042) 37374081-5 Fax : 37374086

**Jinnah Avenue, Islamabad**

78-E, REDCO Plaza, Jinnah Avenue, Blue Area.  
Phone : (051) 2879580-3 Fax : 2879589

**G-10 Markaz, Islamabad**

20-A, Sardar Plaza, G-10 Markaz  
Phone : (0511)-2819101-05 Fax : 2819100

**Cantt. Rawalpindi**

125-D, Murree Road, Rawalpindi  
Phone : (051) 5795184-88  
Fax : 5795189

**Satellite Town, Rawalpindi**

400-B, Block B, Commerical Market, Satellite Town  
Phone : (051)4452048-9  
Fax : 4452050

**I-9 Markaz, Islamabad**

Plot # 3-J, Sector I-9, Markaz Islamabad  
Phone (051) 4858562-64  
Fax : 4858560

**Kutchery Bazar Faisalabad**

P - 36, Kutchery Bazar.  
Phone : (041) 2603021-5  
Fax : 2603028

**Canal Road Branch, Faisalabad**

Square # 14, Chak # 204-RB,  
Canal Raod, Faisalabad  
Phone : (041) 8522113-4  
Fax : 8522116

**Satyana Branch, Faisalabad**

597-B, Satyana Road, Faisalabad  
Phone : (041) 8559361-64  
Fax : 8559635

**Medical College Road, Faisalabad**

1-Ramana, Opp: Punjab Medical College, Jail Road.  
Phone : (041) 8581602-04  
Fax : 8581582

**Sargodha**

Opp. Jamia Masjid Hamid Ali Shah,  
Block-5, Liaquat Road, Sargodha  
Phone : (048) 3726804-7 Fax : 3726808

**Faisal Arcade G.T. Road, Gujranwala**

Phone : (055) 4557301-05  
Fax : 4557310

**2, Bosan Road, Multan**

Phone : (061) 750941-5 Fax : 750885

**Jamrud Road, Peshawar**

Phone : (091) 5701385-89  
Fax : 5701392

**Sialkot**

Ali Building, Khadim Ali Road, Sialkot  
Phone : (052) 3241302 - 5  
Fax : 3241306

**Rahim Yar Khan**

Shop No. 24-25, Grain Market  
Phone : (068) 5885331, 5885803-5  
Fax : (068) 5885668

**Dera Islamil Khan**

East Circular Road, Toopanwala Gate  
Dera Ismail Khan  
Phone : (0966) 710141-2 Fax : 710139

**Quetta Branch**

Shop # 1&2, Plot # 7, Shahbaz Town Phase 4,  
Quetta Cantt  
Phone : (081) 2838932 Fax : 2899012

**Hyderabad Branch**

Propert No. 80, Saddar Bazar, Hyderabad Cantt  
Phone L (022) 2730867-72 Fax : 2730873

**Abbottabad Branch**

27-A, Supply Bazar, Mansehra Road  
Phone : (0992) 344753 Fax : 344736

**Gujrat Branch**

Zaib Plaza, Rehman Shaheed Road  
Phone : (053) 3517497-8 Fax : (3517499

**Dhudial Branch**

Dhudial Chowk, Village & Post Office, Dhudial,  
Tehsil and District Chakwal  
Phone : (0543) 590676 Fax : 590673

**Pindi Ghaib Branch**

Banora Chowk, District Attock  
Phone : (057) 2350123-8 Fax : 2350120

**Hasan Abdal Branch**

Hamdan Building,  
G.T. Road, Hasan Abdal, District Attock  
Phone : 0572-523335-37 Fax : 0572-523394

**Bewal Branch**

Samote Road, Village Dhera Kanayal Bewal,  
Tehsil Gujar Khan  
Fax : 051-3361269

**Jalalpur Jattan Branch**

Kashmir Nagar, Circular Road,  
Jalalpur Jattan, District Gujrat  
Fax : 053-3431745



## BRANCHES NETWORK

### **Khushab Branch**

Shaheryar Market, Near New Bus Stand,  
Mianwali Road, Khushab Fax : 0454-711736

### **Sangla Hill Branch**

Fawara Chowk, Circular Road,  
Sangla Hill, District Nankana Sahib  
Fax : 0563-701052

### **Sarai Alamgir Branch**

Al- Saeed Shopping Centre, G.T. Road, Sarai  
Alamgir, District Gujrat Fax : 0544-654586

### **Kamalia Branch**

Mohallah Mehtianwala, Niazabad,  
Kamalia District Toba Tek Singh  
Fax : 046-3413277

### **Mailsi Branch**

Colony Road, Mailsi, District Vehari  
Fax : 067-3750031

### **Mumtazabad Branch**

Vehari Road, Near Ghausia Chowk,  
Mumtazabad Multan Fax : 061-6242002

### **Vehari Branch**

Plot No. 11, Block E, Karkhana Bazar, Vehari  
Fax : 067-3360918

## OVERSEAS BRANCH

### BANGLADESH

#### DHAKA

### **Dhaka Branch**

5-Rajuk Avenue, Motijheel C.A.  
Phone : (008802) 7168821-05 Fax : 9557413

### **Gulshan Branch**

168, Gulshan Avenue, Gulshan North,  
Dhaka 1212, Bangladesh  
Phone : 0088 02 8861848, 8861704  
Fax : 8850714

## CHITTAGONG

### **Agrabad Branch**

57, Agrabad, Chittagong, Bangladesh  
Phone : (0088) 171-888727

## SYLHET

### **Sylhet Branch**

Marchant Tower 582 East  
Mirza Bazar  
Phone: (00880821) 2830679  
Fax: (00880821) 2830677

### **Dhanmondi Branch, Bangladesh**

81/A- Satmasjid Road,  
Dhaka City Corporation,  
Union Dhanmondi,  
Phone : (00880) 0161-001477

## AFGHANISTAN

### KABUL

### **Kabul Branch**

410, Chahrahi-e-Sadarat, Shar-e-Nau Bahrain  
Phone : (009375) 2004105-10  
Fax : 2002142

## HERAT

### **Herat Branch**

Ground Floor, Chamber of Commerce &  
Industries, Heart Blood Bank Street  
Phone : (0093-40) 230705-07  
Fax : 230704

## KINGDOM OF BAHRAIN

### MANAMA (OBU)

13-C-Harbour Tower West Bahrain  
Financial Harbour P.O. Box # 1375  
Phone: (00973) 17203100  
Fax; (00973) 17224300





## FORM OF PROXY

### Folio/CDC Account No.

I/We \_\_\_\_\_ of  
\_\_\_\_\_ being member(s) of **BANK ALFALAH LIMITED**  
("the Bank"), holding \_\_\_\_\_ ordinary shares, hereby appoint  
\_\_\_\_\_ of  
\_\_\_\_\_ or failing him/her  
\_\_\_\_\_, who is also a member of the  
Bank, as my/our proxy to vote for me/ us, and on my/our behalf at the 18th Annual General Meeting of  
the Bank to be held on 14th April 2010 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2010

### Witness:

\_\_\_\_\_  
Name: \_\_\_\_\_  
CNIC/Passport No: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Member's signature on  
Rs. 5/- Revenue Stamp)

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, 1700-A, 17th Floor, Saima Trade Towers, I.I. Chundrigar Road, Karachi, not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited alongwith the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.