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[CORPORATE INFORMATION]

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. Shakil Sadiq	Member
Mr. Mohammad Yousuf	Member
Mr. Arfa Waheed Malik	Member
Mr. Ijaz Farooq	Member
Mr. Zahid Ali H. Jamall	Member
Mr. Talib Rizvi	Member
Mr. M. Mudassar Aqil	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

Notice of the 19th Annual General Meeting

NOTICE is hereby given that the 19th Annual General Meeting of Bank Alfalah Limited will be held on Monday, 28th March 2011 at 11:00 AM at Ballroom "A", Pearl Continental Hotel, Karachi, to transact the following businesses:

Ordinary Business:

1. To confirm the Minutes of the 18th Annual General Meeting held on 14th April 2010.
2. To receive, consider and adopt the audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2010 together with Directors' Report and Auditors' Report thereon, including post-facto approval of remuneration paid to non-executive directors for attending Board and Board Committees meetings reported at Notes 27 and 36 of the Annual Accounts, as required under SBP Prudential Regulations.
3. To appoint Auditors of the Bank for the year 2011 and fix their remuneration.

Special Business:

4. To consider and pass the following Special Resolution as required by Section 208 of the Companies Ordinance, 1984 for authorizing the Bank to make additional capital investment of Rs. 750,000,000/- (Rupees seven hundred fifty million) in Alfalah Securities (Pvt) Limited by way of subscription of Right Shares to be issued by Alfalah Securities (Pvt) Limited.

"RESOLVED that subject to completion of all regulatory and legal formalities, Bank Alfalah Limited makes additional capital investment of Rs. 750,000,000/- (Rupees seven hundred fifty million) in Alfalah Securities (Pvt) Limited by way of subscription of Right Shares to be issued by Alfalah Securities (Pvt) Limited."

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

By Order of the Board

Karachi
Dated: 7th March 2011

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 22nd March 2011 to 28th March 2011 (both days inclusive).
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. 4

This Statement sets out the material facts concerning the Special Business (given at agenda item No. 4) to be transacted at the 19th Annual General Meeting of the members of Bank Alfalah Limited to be held on 28th March 2011.

Subscription of Right Shares to be issued by Alfalah Securities (Pvt) Limited (Agenda No.4)

The Bank has invested in 76% shares of Alfalah Securities (Pvt) Limited. The Board of Directors of Alfalah Securities has resolved to offer 90,000,000 ordinary shares of Rs. 10/- each amounting to Rs. 900,000,000/- at par to the members whose names appear on Company's Register of Members on the date of commencement of book closure to be announced by the company for rights issue, in proportion of 9 (nine) Right shares for every 1 (one) share held. The Right shares shall rank pari passu in all respects with the existing ordinary shares.

The Board of Directors of the Bank in the 84th Board meeting has resolved that subject to approval of the State Bank of Pakistan and completion of all regulatory and legal formalities, Bank Alfalah Limited makes additional capital investment of Rs. 750,000,000 (Rupees seven hundred fifty million) in Alfalah Securities (Pvt) Limited by way of subscription of Right Shares to be issued by Alfalah Securities (Pvt) Limited.

State Bank of Pakistan has since granted permission to Bank Alfalah Limited to inject Rs 750 million in its subsidiary Alfalah Securities (Private) Limited.

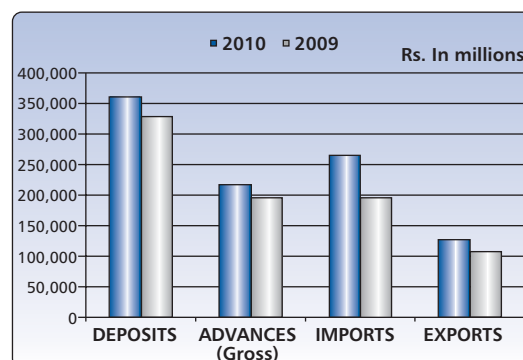
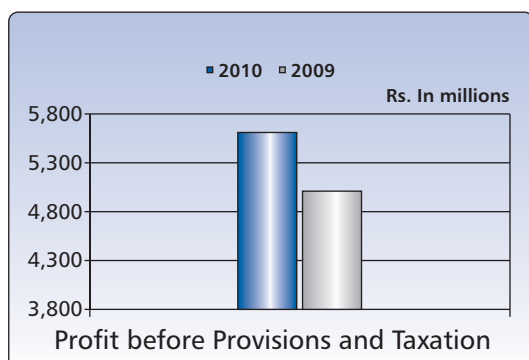
The information as required by Notification No. SRO 865(I)/2000 dated December 6, 2000 issued by SECP is given below:

Name of Investee company	: Alfalah Securities (Pvt) Limited The company 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. The principal objective of the company is to undertake the business of a brokerage house.
Nature of Investment	: Subscription of right shares to be issued by the Investee company
Amount of Investment	: Rs 750,000,000/-
Extent of Investment	: 83.33%
Average market price	: Not Applicable
Break-up value of shares - Dec 2010	: Rs (69.49)
Break-up value of shares - Dec 2009	: Rs (58.01)
Break-up value of shares - Dec 2008	: Rs (19.26)
Break-up value of shares - Dec 2007	: Rs 10.85
Purchase price	: Rs 10 per share
Earning per share - 2010	: Rs (11.49) per share
Earning per share - 2009	: Rs (38.75) per share
Earning per share - 2008	: Rs (30.11) per share
Earning per share - 2007	: Rs 0.43 per share
Source of Funds	: Fund available out of normal banking deposits
Period of Investment	: Strategic Investment
Purpose of Investment	: To help the Company strengthen and re-structure its financial position.
Benefits to the Company and Shareholders	: The Bank can expect to earn dividend income from distribution of profit once the Company improves its financial position.
Interest of directors and their relatives	: None

Directors' Report to the Shareholders

The Board of Directors is pleased to present the audited financial statements of the Bank for the year 2010.

	2010	2009
	(Rupees in '000)	
Profit before Provisions and Taxation	5,603,624	5,028,026
Provision against Loans and advances (net)	(2,243,687)	(3,694,546)
Provision in diminution in value of Investments	(1,991,192)	(317,164)
	(4,234,879)	(4,011,710)
Profit before Taxation	1,368,745	1,016,316
Taxation	(400,293)	(119,281)
Profit After Taxation	968,452	897,035
Earnings per share	Rs. 0.72	Rs. 0.71



Operating Results

During the year the bank's profit before taxation stood at Rs. 1,368.745 million compared to Rs. 1,016.316 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.2, 244.780 million approx.

We continue to strengthen our presence in the market place and as of year end 2010, we have a network of 386 branches that includes 80 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

Watan Card

The Government of Pakistan (GOP) selected BAL as one of the partners to disburse Rs. 20,000 each to over one and a half million families displaced by the massive flooding of 2010. For this effort BAL issued debit cards, called "Watan cards", to beneficiaries identified by NADRA and GOP. BAL had created 18 Centres in Punjab and Gilgit-Baltistan provinces to disburse Cards and Cash to affected persons. Additional planned installments in the second phase of the programme in 2011 will ensure beneficiaries have multiple opportunities to use (and get used to) the use of Debit cards. BAL 's ultimate goal is to retain these beneficiaries as Branchless Banking customers by introducing them to the benefits of using additional services such as savings, remittances, and bill payments that are accessible via their Watan card accounts , that can be linked to Mobile Wallets as well . It is envisaged that by the end of the second phase of Watan Card distribution, BAL will have disbursed a total of Rs. 7.964 billion to flood affected persons.

Processes

During the year the bank focused on streamlining operational platform for creating efficiencies while providing optimum level of internal and external services.

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.

Core banking platform implementation

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 60 branches and both car and home finance hubs are working on T-24.

In 2011, challenges of the implementation of this system will include: construction of the Bank's own primary data center and rollout of T24 in rest of the branches and Islamic Banking module, coupled with implementation of modules like Internet Banking, T-Risk, and Anti Money Laundering, telecommunication upgrade to provide connectivity to Centralized Operations, Automation of Overseas Operations, and fully Automated Regulatory Reporting System and delivery of T24 IBG system from Temenos and release upgrade to the new version of the system.

Economic Overview

Pakistan's economy remains stressed in the aftermath of the unprecedented floods and due to the continued delays in the implementation of key economic reforms. While the growing macroeconomic imbalances in the economy are still quite manageable, further delay in implementing critical structural adjustments risks significantly increasing the future costs to the economy.

Inflationary pressures remained active throughout the year, with CPI at 15.5% year-on-year in December 2010 and averaging 13.9% for the year. Supply chain interruptions caused by crop damage resulted in volatile food prices and remained a key driver behind surging price pressures.

The fiscal position remained fragile as revenue generation remained weak whilst expenditures escalated. FY 2010 fiscal deficit stood at 6.3% of GDP, far exceeding the IMF target.

The external account position remained a key positive as the current account deficit for FY 2010 was better than expectations at 2% of GDP due to higher remittances and aid inflows, services inflows and increased exports. This trend has continued in FY 2011 as the country posted its first half-yearly current account surplus since 2003.

The banking sector of Pakistan has been in a consolidation phase since the beginning of 2009 due to the country's economic vulnerabilities. The sector has remained focused on deposits, which grew by nearly 15% in 2010, with aggressive solicitation of current and savings accounts (CASA). Credit lending has remained subdued and Gross Advances increased by only around 5% during 2010. The effects of the depressed economic activity, power shortages and high interest rates have significantly impacted borrowers. Non-Performing Loans (NPLs) have seen a sharp increase of 22%, standing at Rs 494 billion as of December 2010 while infection of the sector's portfolio has also deteriorated from 12.2% in December 2009 to 14.0% in December 2010.

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 the 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, 2010. 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, 2010 is:

Staff Provident Fund	Rs. 1,518.452 million
Staff Gratuity Fund	Rs. 731.682 million

- j) The number of Board meetings held during 2010 were 5 and attended by directors as under:

	No. of Meetings attended
1. H. H. Hamdan Bin Mubarak Al Nahayan	4
2. Mr. Abdulla Nasser Hawaileel Al Mansoori	4
3. Mr. Abdulla Khalil Al Mutawa	5
4. Mr. Khalid Mana Saeed Al Otaiba	5
5. Mr. Ikram Ul-Majeed Sehgal	4
6. Mr. Nadeem Iqbal Sheikh	4
7. Mr. Sirajuddin Aziz	5

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

Risk Management

The economic and security situation witnessed in the country during 2010 demanded further strengthening of the Bank's internal risk management controls through a renewed focus on special asset and portfolio management. As the impact of the economic roller-coaster took its toll on asset portfolios in the banking sector, financial institutions have had to revamp and improve overall risk management processes and early warning systems. To be in a better position to respond to these challenges and to effectively monitor and control the resulting risk shocks, the Risk Management Framework was revitalized through integrated risk management approach for managing credit risk, market risk, liquidity risk and operational risk as evidenced by the Bank's Board approved "Risk Management Policy and "Risk Management Manual". A dedicated Risk Management Division (RMD) is in place with the GM RMD reporting directly to the Chief Executive Officer. Risk Management Division has been structured to address Credit, Market, I.T. and Operational risks 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.

Moreover, Credit Risk Management was tailored to counter business specific risks and highlight accounts that require vigilant monitoring through automated system. These strengthening measures were supplemented by effective capital allocation and monitoring vide Annual Credit Plan. A sophisticated Internal Credit Rating System is in place, which is capable of quantifying counter-party risk in accordance with the best practices. The system is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The System now also has the capability to auto generate alerts on accounts showing weakness in financials and hence requiring a more vigilant monitoring.

The bank has also developed Facility Rating System in line with SBP's guidelines. The implementation of System, which will generate ratings of transactions and provide estimated LGD (Loss Given Default), will take place in due course.

The adherence to Risk-appetite statement approved by the Board is monitored by RMD. Further the compliance of regulatory & internal limits is also monitored and any deviations are ratified from the competent authorities.

Market Risk Management has been strengthened through implementation of advanced monitoring and measurement tools such as Early Warning Indicators and Value-at-Risk models. A dynamic and well defined limits structure, in line with the overall risk appetite of the Bank, seeks to reduce volatility in operating performance under adverse market conditions.

On the Operational Risk front, the Bank has implemented comprehensive policy and procedure, and a controls framework designed to provide a sound and well-controlled operating environment. Risk & Control Self Assessment framework has been implemented bank-wide to measure and monitor operational risk levels and mitigate operational losses. The framework is being supported vide the Operational Loss Database & KRI modules released in 2010.

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, special education and relief work etc. Donations of Rs. 27.570 million have been made during the year to the education health services organizations and for flood relief.

Subsidiary Company

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

Future Plans

In 2011, 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 03, 2011
Abu Dhabi

Eight Year Financial Summary

All figures are in Rs. million

		2003	2004	2005	2006	2007	2008	2009	2010
OPERATIONAL RESULTS									
Total Income		7,425	7,140	14,515	24,416	31,822	35,789	40,743	42,238
Operating Expenses		1,803	2,679	4,344	5,918	8,289	9,957	11,002	12,754
Profit before Income Tax and Provision		3,593	2,026	2,966	3,264	6,906	5,310	5,028	5,604
Profit before Income Tax		3,506	1,654	2,563	2,566	4,536	1,795	1,016	1,369
Profit after Taxation		2,123	1,092	1,702	1,763	3,130	1,301	897	968
BALANCE SHEET									
Shareholders' Equity		3,753	4,369	6,738	10,573	13,767	14,609	19,770	19,727
Total Assets		98,952	154,835	248,314	275,686	328,895	348,991	389,070	411,484
Advances - net of provision		49,216	88,931	118,864	149,999	171,199	191,790	188,042	207,153
Investments - net of provision		28,904	35,503	57,416	56,502	88,492	75,973	99,159	113,426
Deposits and other accounts		76,698	129,715	222,345	239,509	273,174	300,733	324,760	354,015
OTHERS									
Imports		46,807	78,472	116,210	119,937	184,305	190,289	197,304	254,705
Exports		44,273	57,317	71,847	70,844	79,090	93,406	100,493	132,277
RATIOS									
Capital Adequacy	%	8.45	8.16	8.66	9.48	9.85	8.03	12.46	10.53
Profit before Tax ratio (PBT/ Gross mark up income)	%	86.92	29.43	20.93	12.11	17.59	5.80	2.86	3.65
Gross spread ratio (Net mark up income/gross mark up income)	%	49.71	56.69	41.17	28.12	35.54	33.82	30.67	36.44
Income/Expense ratio	Times	4.12	2.67	3.34	4.13	3.84	3.59	3.70	3.31
Return on Average Equity (ROE)	%	79.08	26.89	30.65	20.37	25.72	9.17	5.22	4.90
Return on Average Assets (ROA)	%	2.59	0.86	0.84	0.67	1.04	0.38	0.24	0.24
Advances/Deposits Ratio	%	64.17	68.56	53.46	62.63	62.67	63.77	57.90	58.52
Cash Dividends	%	25	-	12	-	-	15%	-	8%
Stock Dividend	%	100.00	25.00	-	33.33	30.00	23%	12.5%	
Book value per share excluding revaluation of Assets	Rs.	18.77	17.48	22.46	21.15	21.18	18.27	14.65	14.62
Book value per share including revaluation of Assets	Rs.	23.79	21.05	24.88	24.48	24.95	21.32	16.41	16.53
Basic Earnings per share	Rs.	8.49	3.90	3.92	2.91	3.92	1.41	0.71	0.72
No. of Employees (other than outsourced)	No.	2,133	3,352	5,218	6,543	7,371	7,584	7,462	7,571

Statement of Compliance with the Best Practices of the Code of Corporate Governance For the year ended December 31, 2010

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. The non-executive directors include two independent 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 and, in his absence by a director elected by the Board for this purpose. The Board of Directors have met five 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 and Company Secretary during the year ended December 31, 2010.
- xii) During the year Mr.Yasar Rashid has been elevated as Group Head Internal audit replacing Mr.Muhammand Iqbal Saifi, who stands retired. The elevation of Mr. Rashid including his remuneration and role and responsibilities as determined by the Board Audit Committee were approved by the Board of Directors.
- xiii) The Board has setup an effective internal audit function within the Bank.
- xiv) 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.

- xv) 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.
- xvi) The bank has complied with all the applicable corporate and financial reporting requirements of the Code.
- xvii) 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.
- xviii) The Board has formed an audit committee. It comprises three members; all of whom are non-executive directors of the bank.
- xix) 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.
- xx) 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.
- xxi) 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.
- xxii) The Board considers and approves the related party transactions on an annual basis after review of the Board Audit Committee.
- xxiii) 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 03, 2011
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, Regulation No.35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange 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.

Sub-Regulation (xiii a) of listing Regulation No. 35 as notified by all the stock exchanges on which the Bank is listed requires 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, 2010.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: March 06, 2011

[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, 2010.

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 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, and has engaged a reputable advisory firm for assistance in this regard. In accordance with the SBP's guidelines, the bank has carried out detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design. While concerted efforts have always been made to comply with the SBP Guidelines, the identification, evaluation, and management of risks within each of the Bank's key activities, and their continued evaluation and changes to procedures remains an ongoing process.

With the assistance of the consultant advisory firm engaged in this regard, the bank has initiated the development of 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 an ongoing operating effectiveness of key controls. Furthermore, the External Auditors of the Bank shall provide the management with a "Long Form Report" for onward submission to the State Bank of Pakistan. This report shall be based on their Special Review of work performed by the Bank up to December 31, 2010 in accordance with the Guidelines for Special Review of the Banks' Internal Control Programmes (Special Review Guidelines) issued by the Institute of Chartered Accountants of Pakistan.

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 behalf of the Board.

Sirajuddin Aziz
Director & Chief Executive Officer
March 03, 2011
Abu Dhabi

[Auditors' Report to the Members]

We have audited the annexed statement of financial position of Bank Alfalah Limited as at December 31, 2010 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 one branches which have been audited by us and seven branches and one offshore banking unit 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 financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in 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 and the offshore banking unit have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2010, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. Ferguson & Co.

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: March 06, 2011

Karachi

Statement of Financial Position

As at December 31, 2010

	Note	2010	2009
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	41,197,841	35,056,012
Balances with other banks	7	16,179,255	22,722,639
Lendings to financial institutions	8	6,497,556	14,947,435
Investments - net	9	113,425,861	99,159,957
Advances - net	10	207,152,546	188,042,438
Fixed assets	11	14,204,555	14,492,194
Deferred tax assets		-	-
Other assets	12	12,826,225	14,649,380
		411,483,839	389,070,055
LIABILITIES			
Bills payable	13	4,521,533	3,766,144
Borrowings	14	13,700,124	20,653,921
Deposits and other accounts	15	354,015,311	324,759,752
Sub-ordinated loans	16	7,567,192	7,570,181
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	115,919	179,851
Other liabilities	18	9,258,216	10,006,786
		389,178,295	366,936,635
NET ASSETS		22,305,544	22,133,420
REPRESENTED BY			
Share capital	19	13,491,563	13,491,563
Reserves		3,819,133	3,587,969
Unappropriated profit		2,415,860	2,690,728
		19,726,556	19,770,260
Surplus on revaluation of assets - net of tax	20	2,578,988	2,363,160
		22,305,544	22,133,420

CONTINGENCIES AND COMMITMENTS

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, 2010]

	Note	2010	2009
		(Rupees in '000)	
Mark-up / return / interest earned	23	37,530,256	35,561,312
Mark-up / return / interest expensed	24	23,855,448	24,654,180
Net mark-up / interest income		13,674,808	10,907,132
Provision against loans and advances - net	10.5	2,243,687	3,694,546
Provision for diminution in value of investments	9.21	1,991,192	317,164
Bad debts written off directly	10.6	25,504	59,817
		4,260,383	4,071,527
Net mark-up / interest income after provisions		9,414,425	6,835,605
Non mark-up / interest income			
Fee, commission and brokerage income		1,986,470	1,913,004
Dividend income		204,425	248,217
Income from dealing in foreign currencies		1,133,544	1,019,732
Gain on sale of securities - net	25	77,609	688,924
Unrealised gain on revaluation of investments classified as held for trading - net	9.23	3,300	2,849
Other income	26	1,302,813	1,309,527
Total non mark-up / interest income		4,708,161	5,182,253
		14,122,586	12,017,858
Non mark-up / interest expenses			
Administrative expenses	27	12,578,080	10,923,507
Provision / (Reversal of provision) against off-balance sheet obligations	18.2	6,056	(1,419)
Provision against other assets	12.2	93,040	-
Other charges	28	76,665	79,454
Total non mark-up / interest expenses		12,753,841	11,001,542
		1,368,745	1,016,316
Extra ordinary / unusual items		-	-
Profit before taxation		1,368,745	1,016,316
Taxation	29		
- Current		842,232	1,066,301
- Deferred		(370,883)	(767,346)
- Prior years		(71,056)	(179,674)
		400,293	119,281
Profit after taxation		968,452	897,035
Unappropriated profit brought forward		2,690,728	3,447,467
Transferred from surplus on revaluation of fixed assets - net of tax		29,695	24,696
Profit available for appropriation		3,688,875	4,369,198
		(Rupees)	
Basic / Diluted earnings per share	30	0.72	0.71

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, 2010

	2010	2009
	(Rupees in '000)	
Profit after taxation	968,452	897,035
Other comprehensive income		
Exchange differences on translation of net investment in foreign branches	37,474	242,506
Comprehensive income - transferred to statement of changes in equity	1,005,926	1,139,541
Components of comprehensive income not reflected in equity		
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(437,483)	363,100
Total comprehensive income	568,443	1,502,641

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, 2010]

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,368,745	1,016,316
Less: Dividend income		(204,425)	(248,217)
		1,164,320	768,099
Adjustments			
Depreciation	27	1,620,372	1,467,784
Amortisation	27	172,949	64,999
Provision against loans and advances - net	10.5	2,243,687	3,694,546
Provision for diminution in value of investments	9.21	1,991,192	317,164
Provision / (Reversal of provision) against off-balance sheet obligations	18.2	6,056	(1,419)
Provision against other assets	12.2	93,040	-
Unrealised gain on revaluation of investments classified as held for trading - net	9.23	(3,300)	(2,849)
Bad debts written-off directly	10.6	25,504	59,817
Gain on sale of fixed assets - net	26	(21,883)	(43,521)
Charge for defined benefit plan	27	145,379	189,352
		6,272,996	5,745,873
		7,437,316	6,513,972
(Increase) / decrease in operating assets			
Lendings to financial institutions		9,513,386	(11,237,039)
Held for trading securities		(778,666)	(242,172)
Advances		(21,379,299)	(5,813)
Other assets (excluding tax recoverable and dividend receivable)		1,626,882	(4,785,364)
		(11,017,697)	(16,270,388)
Increase / (decrease) in operating liabilities			
Bills payable		755,389	314,113
Borrowings		(6,953,797)	6,963,699
Deposits and other accounts		29,255,559	24,026,894
Other liabilities		(754,626)	144,034
		22,302,525	31,448,740
		18,722,144	21,692,324
Gratuity paid		(145,379)	(189,352)
Income tax paid		(464,722)	(1,557,045)
Net cash generated from operating activities		18,112,043	19,945,927
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(16,119,992)	(16,255,052)
Net investments in held to maturity securities		816,817	(7,487,002)
Investment in associated companies		196,804	-
Dividend income received		192,285	253,568
Investments in fixed assets		(1,533,659)	(1,903,456)
Proceeds from sale of fixed assets		42,494	112,166
Net cash used in investing activities		(16,405,251)	(25,279,776)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of sub-ordinated loans		-	5,000,000
Redemption of sub-ordinated loans		(2,989)	(988)
Issuance of right shares		-	3,997,500
Dividend paid		(1,079,325)	-
Net cash (used in) / generated from financing activities		(1,082,314)	8,996,512
Exchange difference on translation of the net investments in foreign branches		37,474	242,506
Increase in cash and cash equivalents		661,952	3,905,169
Cash and cash equivalents at the beginning of the year		61,489,047	57,583,878
Cash and cash equivalents at the end of the year	31	62,150,999	61,489,047

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, 2010

	Share capital	Statutory reserve (a)	Reserve for issue of bonus shares	Exchange translation reserve	Unappropriated profit (b)	Total
	----- (Rupees in '000) -----					
Balance at January 1, 2009	7,995,000	2,588,035	-	578,021	3,447,467	14,608,523
Changes in equity for 2009						
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)	-	-	-
Balance at December 31, 2009	13,491,563	2,767,442	-	820,527	2,690,728	19,770,260
Changes in equity for 2010						
Comprehensive income for the year ended December 31, 2010	-	-	-	37,474	968,452	1,005,926
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,695	29,695
Transfer to statutory reserve	-	193,690	-	-	(193,690)	-
Final cash dividend for the year ended December 31, 2009 @ 8%	-	-	-	-	(1,079,325)	(1,079,325)
Balance at December 31, 2010	13,491,563	2,961,132	-	858,001	2,415,860	19,726,556

(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. 2,244.780 million (2009: Rs. 1,562.488 million) as at December 31, 2010 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, 2010

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 1, 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 298 conventional banking branches including 18 sub branches (2009: 253 branches including 4 sub branches), 7 overseas branches (2009: 7 branches), 80 Islamic banking branches (2009: 60 branches) and 1 offshore banking unit (2009: 1 unit).

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible 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 financial statements as such, but are restricted to the amount of facility actually utilised 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.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and 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 Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

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

In addition, the 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 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 SECP.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following new and amended standards and interpretations have been published and are mandatory for the financial year beginning on or after January 1, 2010:

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.

IAS 7 (amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any significant impact on the Bank's financial statements.

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 account. The management of the Bank believes that presently this standard does not have any significant impact on these financial statements. The Bank has also adopted IAS 27 (Revised) for Group's consolidated financial statements and the impacts of this adoption have been duly incorporated in consolidated financial statements of the Group.

IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment is not expected to have any impact on the Bank's financial statements.

IFRS 2 (amendment), 'Group cash-settled share-based payment transactions', (effective from January 1, 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.

IFRS 3 (Revised), '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. At present, the management believes that the aforementioned revision does not have any impact on the Bank's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' (effective on or after January 1, 2010). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.

IFRIC 18, 'Transfers of assets from customers' (effective 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 aforementioned interpretation does not have any impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 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.

3.3 Standards, Interpretations and amendments to published approved accounting standards as adopted in Pakistan that are not yet effective

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Bank's accounting period beginning on or after January 1, 2011:

IAS 1, Presentation of financial statements (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Bank is currently in the process of assessing the impact of the aforementioned amendment on the disclosure requirements.

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Bank is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

IFRIC 14 (amendments), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Bank is currently in the process of assessing the impact of the aforementioned amendment on the financial statements of the Bank.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

Early adoption of standards

The Bank did not early adopt new or amended standards in 2010.

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 comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lending having maturity of 3 months or less.

5.2 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreements

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

Purchase of securities under resale agreements

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

5.3 Investments

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.

Associates

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is carried at cost less accumulated impairment losses, if any.

Subsidiary

Subsidiary is an entity over which the Bank has significant control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

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 amortised cost.

Unquoted equity securities, excluding investment in subsidiary 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. Investment in subsidiary 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 sukuk bonds) 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 and sukuk bonds 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 the 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.

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 expenditures that are 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.

Gains and losses on disposal of fixed assets are taken to the profit and loss account except that the related surplus / deficit 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 amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation 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 accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.7 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 recognised 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 recognised 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 recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for 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 recognised 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 realised.

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 recognised 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 recognised when the Bank has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each 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 recognised 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 recognised 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 recognised on an accrual basis as and when the rental becomes due.

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 into Pakistani rupees at the exchange rates prevailing 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 amortised 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.

a) 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, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

b) Geographical segments

The Bank operates in three geographical regions being:

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

	Note	2010	2009
(Rupees in '000)			
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2010: Rs. 18.273 million, 2009: Rs. 111.395 million)		6,469,590	5,129,046
Foreign currencies (including in transit 2010: Nil, 2009: Rs. 3.387 million)		1,981,549	1,776,454
With State Bank of Pakistan in			
Local currency current account	6.1	15,435,220	13,144,926
Foreign currency current account	6.2	2,167,050	1,993,089
Foreign currency deposit account	6.3	5,322,509	4,867,497
With other central banks in			
Foreign currency current account		4,326,134	3,637,025
Foreign currency deposit account	6.4	2,619,294	2,503,364
With National Bank of Pakistan in			
Local currency current account		2,850,697	1,984,180
National Prize Bonds		25,798	20,431
		41,197,841	35,056,012

- 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 December 3, 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 the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit accounts during the year.
- 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.

7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		1,011,486	768,061
On deposit account	7.1	157,784	3,480,067
Outside Pakistan			
On current account	7.2	7,081,980	6,133,950
On deposit account	7.3	7,928,005	12,340,561
		16,179,255	22,722,639

- 7.1 This represents funds deposited with various banks at a profit rate of 5.00% per annum (2009: 5.00% to 13.25% 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 0.20% to 2.75% per annum (2009: 0.12% to 1.62% per annum) with maturities upto August 2011 (2009: July 2010).

	Note	2010	2009
(Rupees in '000)			
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	4,782,374	3,710,396
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	1,715,182	11,237,039
		6,497,556	14,947,435

- 8.1 These represent lendings to financial institutions at interest rates upto 20% per annum (2009: 13.40% per annum) with maturities upto May 2013 (2009: February 2010).

8.2 Particulars of lendings to financial institutions			
In local currency		1,828,182	12,293,039
In foreign currencies		4,669,374	2,654,396
		6,497,556	14,947,435

- 8.3 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 13.00% to 13.75% per annum (2009: 11.75% to 13.20% per annum) with maturities upto January 2011 (2009: February 2010).

8.4 Securities held as collateral against lendings to financial institutions

Note	2010			2009		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	1,354,455	-	1,354,455	10,151,518	-	10,151,518
Pakistan Investment Bonds	360,727	-	360,727	1,085,521	-	1,085,521
	1,715,182	-	1,715,182	11,237,039	-	11,237,039

9 INVESTMENTS - NET

9.1 Investments by types:

Note	2010			2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
-----Rupees in '000-----						
Held for trading securities						
Market Treasury Bills	966,392	-	966,392	-	-	-
Fully paid up ordinary shares / units - Listed	68,563	-	68,563	253,440	-	253,440
	1,034,955	-	1,034,955	253,440	-	253,440
Available for sale securities						
Market Treasury Bills	38,370,301	1,784,997	40,155,298	25,499,281	9,511,711	35,010,992
Pakistan Investment Bonds	8,524,388	24,882	8,549,270	5,675,361	-	5,675,361
Fully paid up ordinary shares / units - Listed	1,408,090	-	1,408,090	2,714,027	-	2,714,027
Fully paid up ordinary shares / units - Unlisted	129,821	-	129,821	129,821	-	129,821
Term Finance Certificates	1,588,852	-	1,588,852	1,788,368	-	1,788,368
Preference Shares - Unlisted	40,000	-	40,000	-	-	-
Sukuk Bonds	17,509,348	-	17,509,348	8,074,900	-	8,074,900
	67,570,800	1,809,879	69,380,679	43,881,758	9,511,711	53,393,469
Held to maturity securities						
Market Treasury Bills	4,836,816	-	4,836,816	11,240,946	-	11,240,946
Pakistan Investment Bonds	3,946,980	-	3,946,980	4,084,310	-	4,084,310
Term Finance Certificates	19,069,480	-	19,069,480	18,069,620	-	18,069,620
Overseas Government Treasury Bills	-	-	-	438,074	-	438,074
Pakistan Dollar Bonds	395,673	-	395,673	384,633	-	384,633
Pakistan Euro Bonds	845,772	-	845,772	-	-	-
Credit Linked Note	856,367	-	856,367	421,208	-	421,208
Overseas Bonds	4,213,216	-	4,213,216	1,626,726	-	1,626,726
Preference Shares - Unlisted	202,744	-	202,744	277,431	-	277,431
Sukuk Bonds	5,379,176	-	5,379,176	4,020,093	-	4,020,093
	39,746,224	-	39,746,224	40,563,041	-	40,563,041
Associates						
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	353,196	-	353,196	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
	5,686,949	-	5,686,949	5,883,753	-	5,883,753
Subsidiary						
Alfalah Securities (Private) Limited	76,000	-	76,000	76,000	-	76,000
Investments at cost	114,114,928	1,809,879	115,924,807	90,657,992	9,511,711	100,169,703
Less: Provision for diminution in value of investments	9.21	(2,183,568)	(2,183,568)	(325,158)	-	(325,158)
Investments (net of provisions)	111,931,360	1,809,879	113,741,239	90,332,834	9,511,711	99,844,545
Surplus on revaluation of held for trading securities - net	9.23	3,300	3,300	2,849	-	2,849
(Deficit) / surplus on revaluation of available for sale securities - net	20.2	(313,124)	(5,554)	367,766	(13,392)	354,374
Deficit on investment in associate	20.3	-	-	(1,041,811)	-	(1,041,811)
Total investments	111,621,536	1,804,325	113,425,861	89,661,638	9,498,319	99,159,957

	Note	2010	2009
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	9.4	45,958,506	46,251,938
- Pakistan Investment Bonds	9.5	12,496,250	9,759,671
- Overseas Government Treasury Bills		-	438,074
- Overseas Government Bonds	9.6	4,022,704	1,601,020
- Sukuk Bonds	9.7	20,539,488	10,241,158
- Pakistan Dollar Bond	9.8	395,673	384,633
- Pakistan Euro Bond	9.9	845,772	-
		84,258,393	68,676,494
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	1,476,653	2,967,467
- Un-listed companies	9.11	129,821	129,821
- Preference Shares - Unlisted	9.12	242,744	277,431
		1,849,218	3,374,719
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.13	1,308,932	1,458,428
- Un-listed TFCs	9.14	19,349,400	18,399,560
- Sukuk Bonds	9.15	2,349,036	1,853,835
- Overseas Bonds	9.16	190,512	25,706
- Credit Linked Note	9.17	856,367	421,208
		24,054,247	22,158,737
Investment in subsidiary company	9.18	76,000	76,000
Investment in associates	9.19	5,686,949	5,883,753
Total investments at cost		115,924,807	100,169,703
Provision for diminution in value of investments	9.21	(2,183,568)	(325,158)
Surplus on revaluation of held for trading securities - net	9.23	3,300	2,849
(Deficit) / Surplus on revaluation of available for sale securities - net	20.2	(318,678)	354,374
Deficit on investment in associate	20.3	-	(1,041,811)
Total investments		113,425,861	99,159,957

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 12.01% to 13.95% per annum (2009: 11.50% to 13.25% per annum) with maturities upto December 2011 (2009: December 2010).

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 (2009: 8.00% to 14.00% per annum) with maturities from December 2011 to July 2020 (2009: December 2010 to September 2019). These also include PIBs having face value of Rs. 35 million (2009: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.

- 9.6 These represent Overseas Government Bonds issued by the Government of Afghanistan and the Government of Bangladesh amounting to AFA 1,654.829 million (2009: AFA 876.903 million) and BDT 66.700 million (2009: BDT 66.700 million) respectively. The rates of profit on Government of Afghanistan bond ranges from 2.38% to 3.48% per annum (2009: 7.20% to 7.58% per annum) while Government of Bangladesh bond carries profit at 10.60% per annum (2009: 10.60% per annum). These bonds have maturities upto March 2014 (2009: March 2014).
- 9.7 This represents sukuk bonds of Rs. 1,733.538 million (2009: 1,738.133 million) issued by Water and Power Development Authority (WAPDA) for a period of ten years, ijarah sukuk of Rs. 18,720.000 million (2009: 8,503.025 million) issued by the State Bank of Pakistan for a period of three years and SSGC sukuk of Rs. 85.95 million for a period of five years. The rates of profit on these bonds ranges between 12.12% to 13.56% per annum (2009: 11.67% to 12.97% per annum), between 12.64% to 14.14% per annum (2009: 11.67% to 12.92% per annum) and 13.64% per annum respectively.
- 9.8 This represents Pakistan Dollar Bonds of US Dollar 5.000 million (2009: 5.000 million) issued by the Government of Pakistan. These bonds carry interest at 8.812% per annum (2009: 7.125% per annum) and are due for maturity in March 2016 (2009: March 2016).
- 9.9 This represents Pakistan Euro Bonds of US Dollar 9.876 million (2009: Nil) issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum (2009: Nil) and are due for maturity in March 2016 (2009: Nil).

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

2010	2009		2010	2009
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
-	971,870	AKD Income Fund	-	41,850
140,411	-	Crosby Pheonix Fund	15,079	-
181,542	327,549	AMZ Plus Income Fund	17,901	35,000
-	729,161	Askari Income Fund	-	75,000
-	97,653	Atlas Income Fund	-	50,435
127,252	258,652	Dawood Money Market Fund	8,355	18,754
-	685,537	First Habib Income Fund	-	70,000
-	488,180	IGI Income Fund	-	49,958
-	502,821	JS Aggressive Income Fund	-	50,695
-	967,525	JS Income Fund	-	100,079
-	487,435	KASB Liquid Fund	-	50,000
-	1,397,156	MCB Dynamic Cash Fund	-	145,167
2,500,000	2,500,000	Meezan Balanced Fund	9,500	9,500
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
		NAFA Income Opportunity Fund (formerly NAFA Cash Fund)	381,659	450,000
37,539,759	41,931,941	NAFA Stock Fund	-	10,952
-	1,523,635	Pak Oman Advantage Fund	150,000	150,000
15,000,000	15,000,000	Pak Oman Advantage Islamic Income Fund	30,000	30,000
600,000	600,000	Pakistan Capital Market Fund	9,882	9,882
1,290,534	1,043,260	Pakistan Income Fund	-	100,000
-	1,949,240	Pakistan Strategic Allocation Fund	-	912
-	400,000	Reliance Income Fund	-	100,000
-	1,893,952	United Islamic Income Fund	50,000	50,000
504,951	504,951	United Money Market Fund	-	200,239
-	1,960,033			
		NON LIFE INSURANCE		
454,525	75,000	Adamjee Insurance Company Limited	46,916	9,317

2010	2009		2010	2009
(Number of shares / certificates / units)			(Rupees in '000)	
		BANKS		
-	75,000	Allied Bank Limited	-	4,545
-	1,310,000	Askari Bank Limited	-	15,269
-	175,000	J.S Bank Limited	-	1,005
210,000	-	MCB Bank Limited	39,991	-
1,125,000	1,242,591	National Bank of Pakistan	72,603	98,982
300,000	1,953,000	NIB Bank Limited	918	9,121
3,403,000	3,403,000	Samba Bank Limited	10,924	10,924
-	100,000	The Bank of Punjab	-	1,320
-	50,000	United Bank Limited	-	3,051
250,000	-	ICB Islamic Bank Limited	3,026	-
		FINANCIAL SERVICES		
-	358,972	Arif Habib Investment Management Limited	-	9,297
-	263,067	Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	-	12,559
-	225,000	Jahangir Siddiqui & Company Limited	-	6,802
2,667,640	2,667,640	KASB Securities Limited	24,977	93,794
		CONSTRUCTION AND MATERIALS		
2,339,135	7,640,000	Al-Abbas Cement Company Limited	15,345	50,118
60,000	-	D.G Khan Cement Limited	1,846	-
7,639,139	5,378,252	Fauji Cement Company Limited	47,887	34,592
121,770	121,770	Fecto Cement Limited	1,279	1,793
50,000	562,375	Lucky Cement Limited	3,860	34,175
		OIL AND GAS PRODUCER		
-	1,000,000	Oil and Gas Development Company Limited	-	106,260
110,000	424,000	Pakistan Oilfields Limited	30,527	81,448
-	268,594	Pakistan Petroleum Limited	-	47,632
150,000	100,000	Pakistan State Oil Company Limited	41,979	28,757
		ELECTRICITY		
1,970,639	2,151,544	Kohinoor Energy Limited	37,935	41,417
1,500,000	500,000	Kot Addu Power Company Limited	64,088	22,525
7,273,760	9,923,500	Southern Electric Power Company Limited	21,021	29,170
100,000	-	Karachi Electric Supply Company Limited	319	-
2,800,000	3,000,000	The Hub Power Company Limited	87,929	94,210
76,126	-	Nishat (Chunian) Power Company Limited	1,169	-
75,000	-	Nishat Power Company Limited	1,162	-
		PERSONAL GOODS		
100,000	170,000	Azgard Nine Limited	1,145	3,553
1,318,710	1,318,710	Hira Textile Mills Limited	2,980	2,980
-	100,000	Nishat Mills Limited	-	6,842
30,000	-	Nishat (Chunian) Mills Limited	683	-
		FIXED LINE TELECOMMUNICATION		
1,888,570	2,480,000	Pakistan Telecommunication Company Limited	38,287	49,012
-	804,000	Telecard Limited	-	1,600
-	1,601,337	Worldcall Telecom Limited	-	4,756
		CHEMICALS		
400,000	-	Dewan Salman Fiber Limited	1,673	-
-	17,810	Engro Corporation Limited	-	3,232
5,095,556	-	Fatima Fertilizer Company Limited	60,325	-
-	605,000	Fauji Fertilizer Bin Qasim Limited	-	15,134
500,000	1,297,200	Fauji Fertilizer Company Limited	51,685	135,177
-	25,000	ICI Pakistan Limited	-	4,092
1,369,926	207,000	Lotte Pakistan PTA Limited	16,784	1,586

2010	2009		2010	2009
(Number of shares / certificates / units)			(Rupees in '000)	
962,059	1,118,263	INDUSTRIAL METALS AND MINING Crescent Steel & Allied Products Limited	25,014	29,087
-	2,225,000	REAL ESTATE INVESTMENT AND SERVICES Pace Pakistan Limited	-	12,830
-	10,000	GENERAL INDUSTRIALS Tri- Pack Limited	-	1,080
			1,476,653	2,967,467

9.11 Investments in unlisted companies

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive: Mr. S.M. Zaeem Break-up value per share: Rs. 1.16 Period of financial statements: December 31, 2009 (Audited)	5,725	5,725
24	16	Society for Worldwide Interbank Financial Telecommunication 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	Al-Hamra Hills (Private) Limited Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 8.17 Period of financial statements: June 30, 2010 (Audited)	70,000	70,000
5,000,000	5,000,000	Al-Hamra Avenue (Private) Limited Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 9.52 Period of financial statements: June 30, 2010 (Un-audited)	50,000	50,000
			129,821	129,821

9.12 Investments in preference shares - Unlisted

3,000,000	5,000,000	STS Holdings Limited Redemption: Semi annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 11.02 Date of financial statements : December 31, 2009 Chief Executive : Mr. Michael Steven potter (Paid-up value of each shares is BDT. 10)	36,312	60,973
1,000,000	1,000,000	BRAC Bank Limited Redemption: Annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 428.87 Date of financial statements : December 31, 2009 Chief Executive : Mr. Syed Mahbubur Rahman (Paid-up value of each shares is BDT. 100)	121,042	121,948

2010 (Number of shares)	2009		2010 (Rupees in '000)	2009
375,000	750,000	United Hospitals Limited Redemption: Annual redemptions over 5 years ending in 2011 Break-up value per share: BDT. 96.97 Date of financial statements : June 30, 2010 Chief Executive : Mr. Faridur Rehman Khan (Paid-up value of each shares is BDT. 100)	45,390	94,510
1,500,000	-	First Dawood Investment Bank Limited Redemption: 25 percent redemption in 4th year, 25 percent redemption in 5th year and remaining 50 percent redemption after 5th year from the issue date. Break-up value per share: Rs. 4.62 Date of financial statements: June 30, 2010 Chief Executive: Mr. Abdus Samad Khan	15,000	-
2,500,000	-	Trust Investment Bank Limited Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 0.54 Date of financial statements: June 30, 2010 Chief Executive: Mr. Hamuyun Nabi Jan	25,000	-
			242,744	277,431

9.13 Particulars of Term Finance Certificates - Quoted, Secured

	2010 (Rupees in '000)	2009
Askari Bank Limited (2nd Issue)	99,800	99,840
20,000 (2009: 20,000) certificates 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		
Standard Chartered Bank (Pakistan) Limited - (3rd Issue)	47,420	49,930
10,000 (2009: 10,000) certificates 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. Mohsin Ali Nathani		

	2010	2009
	(Rupees in '000)	
Bank Al Habib Limited	46,638	46,657
9,350 (2009: 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		
Faysal Bank Limited (formerly The Royal Bank of Scotland)	2,163	2,885
578 (2009: 578) certificates of Rs. 5,000 each		
Mark up: Average Six month 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. Naved A Khan		
Allied Bank Limited	38,368	38,384
7,686 (2009: 7,686) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 1.90 percent per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.24 percent of principal in the first 72 months and the remaining principal in 4 equal semi-annual installments of 24.94 percent each of the issue amount respectively starting from the 78th month.		
Maturity: September 2014		
Rating: AA- (JCR - VIS)		
Chief Executive: Mr. Khalid A Sherwani		
Pakistan Mobile Communication (Private) Limited	332,800	399,440
80,000 (2009: 80,000) certificates 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 48 months and remaining amount in 6 semi-annual installments.		
Maturity: Seven years from the date of issue i.e. May 31, 2013		
Rating: A+ (PACRA)		
Chief Executive: Mr. Rashid Khan		
ORIX Leasing Pakistan Limited	92,427	154,044
37,000 (2009: 37,000) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 1.50% per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.08 percent of principal in the first 24 months in 4 equal semi-annual installments and the remaining 99.22 percent of the principal would be redeemed during the last 36 months in six equal semi-annual installments.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Humayun Murad		

	2010	2009
	(Rupees in '000)	
Jahangir Siddiqui & Company Limited	49,920	49,940
10,000 (2009: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 2.50% with a floor of 6 percent per annum and ceiling of 16 percent per annum.		
Redemption: The instrument is structured to redeem 0.18 percent of principal in the first 54 months, 49.91 percent in the 60th month and the remaining 49.91 percent in the last six months.		
Maturity: May 2012		
Rating: AA (PACRA)		
Chief Executive: Mr. Munaf Ibrahim		
Financial Receivables Securitization Company Limited	55,576	67,368
15,792 (2009: 15,792) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 2.00% p.a. with a floor of 8 percent per annum and cap of 16 percent per annum.		
Redemption: Principal redemption will be carried out in 12 and 8 equal semi-annual installments in arrears, with a grace period of 1 year and 3 years for Class A TFCs and Class B TFCs respectively.		
Maturity: January 2014		
Rating: A+ (PACRA)		
Chief Executive: Mr. Muhammad Suleman Kanjiani		
Pak Arab Fertilizers Limited	94,000	99,940
20,000 (2009: 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		
Askari Bank Limited (3rd Issue)	449,820	450,000
90,000 (2009: 90,000) 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		
	1,308,932	1,458,428

9.14 Particulars of Term Finance Certificates - Unquoted, Secured

	2010	2009
	(Rupees in '000)	
Pakistan Mobile Communication (Private) Limited	-	200,000
Nil (2009: 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		
Agritech Limited (formerly Pak American Fertilizers Limited) - note 9.14.1	499,600	499,700
100,000 (2009: 100,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.75 basis point per annum (no floor & no cap)		
Redemption: Repayment will be stepped up installments where 35 percent of principal amount will be paid in the years 3 to 5 and remaining 65 percent will be paid in years 6 to 8.		
Maturity: July 2017		
Chief Executive: Mr. Ahmed Jaudet Bilal		
Jahangir Siddiqui & Company Limited	99,880	99,920
20,000 (2009: 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		
Khunja Textile Mills Limited	30,000	30,000
300 (2009: 300) certificates of Rs. 100,000 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. Shafay Hussain		
First Dawood Investment Bank Limited	30,000	30,000
6,000 (2009: 6,000) 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		
Azgard Nine Limited - note 9.14.1	99,920	99,940
20,000 (2009: 20,000) certificates of Rs.5,000 each		
Mark-up: Average Six months KIBOR (Ask Side) + 1.00 percent per annum		
Redemption: Principal will be repaid in 12 semi annual installments with stepped up repayment plan whereby 47 percent of principal amount will be repaid in the years 3 to 6 and remaining 53 percent will be repaid in the years 7 to 8.		
Maturity: September 2017		
Chief Executive: Mr. Ahmed H. Shaikh		

	2010	2009
	(Rupees in '000)	
Power Holding (Private) Limited (Liability assumed from Gujranwala Electric Power Company Limited) - notes 9.14.2, 9.14.3 and 9.14.4	3,000,000	4,000,000
400 (2009: 400) certificates of Rs. 10,000,000 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. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from Faisalabad Electric Supply Company Limited) - notes 9.14.2, 9.14.3 and 9.14.4	3,000,000	4,000,000
400 (2009: 400) certificates of Rs. 10,000,000 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. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from National Transmission and Despatch Company) - note 9.14.2	4,000,000	4,000,000
800,000 (2009: 800,000) 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. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.3	5,440,000	5,440,000
1,088,000 (2009: 1,088,000) 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. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.3	3,000,000	-
600,000 (2009: 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 change over date (date of conversion of loan into term finance certificates).		
Maturity: April 2015		
Chief Executive: Mr. Fazeel Asif		
Faysal Bank Limited	150,000	-
30,000 (2009: Nil) certificates of Rs. 5,000 each		
Mark up: Average 6 month KIBOR plus 2.25% per annum		
Redemption: The instrument is structured to redeem 0.20 percent of principal semi-annually in the first 60 months and remaining amount in 4 equal semi-annual installments starting from 66th month.		
Maturity: July 2017		
Chief Executive: Mr. Naveed A. Khan		
	19,349,400	18,399,560

- 9.14.1 These customers have not complied with the terms of repayment of the term finance certificates. However, provision has not been made against them as the State Bank of Pakistan vide its letter number BSD/BRP-5/X/000197/2011 dated January 6, 2011 has allowed extension for withholding provisioning against these exposures till March 31, 2011 to all those Banks who have agreed to reschedule / restructure their exposures against these companies. Had the exemption not been issued, the provision for diminution in the value of investments would have been higher by Rs. 24.980 million and the amount of profit before taxation for the current year would have been lower by the same amount. The amount of mark-up accrued against classified investment has, however, been suspended.
- 9.14.2 During the year, the Government of Pakistan in its move to bring all circular debts of power sector to a single point of responsibility and ownership has transferred bank loan liabilities from the books of power companies (which includes term finance certificates issued by Gujranwala Electric Power Company Limited, Faisalabad Electric Supply Company Limited and National Transmission and Despatch Company) to Power Holding (Private) Limited. Accordingly GEPCO, FESCO and NTDC have now become fully absolved of these liabilities.
- 9.14.3 These represent conversion of loan amounts into term finance certificates. The relevant term finance certificates have not been issued to the Bank by December 31, 2010.
- 9.14.4 These customers have not complied with the terms of repayments of the term finance certificates. As these term finance certificates are guaranteed by the Government of Pakistan, no provisioning has been maintained against these certificates. However, markup accrued on these certificates amounting to Rs. 267.741 million has been suspended in accordance with the requirements of Prudential Regulations.

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Unit	2010 (Rupees in '000)	2009
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1.00 percent	59,740	224,025	298,700
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	25,000	39,062	62,500
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	38,000	126,667	158,334
**Security Leasing Corporation Limited - II	March 2014	6.00 percent	20,000	59,375	75,000
Kohat Cement Company Limited	December 2015	6 months KIBOR plus 1.80 percent	20,000	96,600	96,600
Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	Note 9.15.1	36,989	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	November 2014	3 months KIBOR plus 1.40 percent	20,000	95,000	95,000
*Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.10 percent	60,000	281,250	300,000
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00 percent	100,000	500,000	205,304
Amreli Steel Private Limited	December 2016	3 months KIBOR plus 2.50 percent	50,000	250,000	250,000
**Security Leasing Corporation Limited - I	March 2014	6.00 percent	5,000	12,695	15,625
**Security Leasing Corporation Limited - II	March 2014	6.00 percent	15,000	45,703	56,250
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50 percent	20,000	336,670	98,250
Quetta Textile Mills Limited	September 2015	6 months KIBOR plus 1.50 percent	20,000	145,000	-
				2,349,036	1,853,835

* These Sukuks bonds have been restructured with effect from February 19, 2010.

** These Sukuks bonds have been restructured with effect from March 19, 2010.

- 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, 2010.
- 9.16 These represent overseas bonds amounting to BDT 7.394 million (2009: BDT 21.080 million) and BDT 150 million (2009: Nil) issued by IDLC Securitisation Trust and Orascom Telecom respectively. These bonds carry interest at 14.09% per annum (2009: 14.09% per annum) and 13.50% per annum (2009: Nil) and are due for maturity in December 2011 (2009: December 2011) and June 2014 (2009: Nil) respectively.
- 9.17 These represent Credit Linked Notes amounting to US Dollar 5.000 million (2009: USD Dollar 5.000 million) and US Dollar 5.000 million (2009: Nil) issued by Standard Chartered Bank and Citigroup Funding Incorporation respectively. These carry interest at 3 months LIBOR plus 350 bps and 3 months LIBOR plus 450 bps and are due for maturity in March 2013 and June 2011 respectively.

9.18 Particulars of investment in subsidiary company

The paid up value of these ordinary shares is Rs. 10.

2010 (Number of shares)	2009		2010 (Rupees in '000)	2009
7,600,000	7,600,000	Alfalah Securities (Private) Limited Percentage of holding: 76% Break-up value per share: Rs. (69.49) Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Mohammad Shoaib Memon	76,000	76,000
			76,000	76,000

9.19 Particulars of investments in associates

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

2010 (Number of shares / units)	2009		2010 (Rupees in '000)	2009
319,054,124	319,054,124	Warid Telecom (Private) Limited Percentage of holding: 8.24% (2009: 8.76%) Break-up value per share: Rs. 8.34 Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Muneer Farooqui	4,366,796	4,366,796
83,494,920	83,494,920	Wateen Telecom Limited Percentage of holding: 13.52% (2009: 20%) Break-up value per share: Rs. 4.05 Market value per share: Rs. 3.64 Date of reviewed financial statements: December 31, 2010 Chief Executive: Mr. Naeem Zaminder	417,474	417,474
7,498,913	6,899,000	Alfalah Insurance Limited Percentage of holding: 30% (2009: 30%) Break-up value per share: Rs. 12.77 Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Nasar us Samad Qureshi	68,990	68,990
2,889,739	2,413,487	Alfalah GHP Value Fund Percentage of holding: 33.18% (2009: 28.05%) Break-up value per unit: Rs. 52.84 Date of reviewed financial statements: December 31, 2010 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	100,000	100,000
7,650,498	11,261,109	Alfalah GHP Income Multiplier Fund Percentage of holding: 96.38% (2009: 92.42%) Break-up value per unit: Rs. 46.44 Date of reviewed financial statements: December 31, 2010 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	353,196	550,000
5,590,077	5,048,225	Alfalah GHP Islamic Fund Percentage of holding: 96.11% (2009: 96.55%) Break-up value per unit: Rs. 57.43 Date of reviewed financial statements: December 31, 2010 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	Alfalah GHP Investment Management Limited Percentage of holding: 40.22% (2009: 40.22%) Break-up value per share: Rs. 10.77 Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Abdul Aziz Anis	130,493	130,493
			5,686,949	5,883,753

9.20 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2010	2009	2010	2009		
	-----Rupees in '000-----					
Market Treasury Bills	40,043,011	34,988,570	40,155,298	35,010,992	(Unrated - Government Securities)	
Pakistan Investment Bonds	8,045,322	5,675,501	8,549,270	5,675,361	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited (2nd Issue)	97,764	95,960	99,800	99,840	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	47,870	49,963	47,420	49,930	AAA	PACRA
Bank Al-Habib Limited	44,226	42,832	46,638	46,657	AA	PACRA
Faysal Bank Limited						
(formerly The Royal Bank of Scotland)	2,152	2,854	2,163	2,885	AA-	PACRA
Allied Bank Limited	37,689	37,185	38,368	38,384	AA-	JCRVIS
Pakistan Mobile Communication (Private) Limited	332,741	400,587	332,800	399,440	A+	PACRA
ORIX Leasing Pakistan Limited	91,693	154,694	92,427	154,044	AA+	PACRA
Jahangir Siddiqui & Company Limited	50,149	51,147	49,920	49,940	AA	PACRA
First Dawood Investment Bank Limited	30,000	30,000	30,000	30,000	D	PACRA
Financial Receivables Securitisation Company Limited "A"	26,634	33,827	26,928	34,621	A+	PACRA
Financial Receivables Securitisation Company Limited "B"	28,648	31,907	28,648	32,747	-----	(Unrated)-----
Pak Arab Fertilizers Limited	91,180	93,841	94,000	99,940	AA	JCRVIS
Pakistan Mobile Communication (Private) Limited	-	200,000	-	200,000	-----	(Unrated)-----
Azgard Nine Limited	99,920	99,036	99,920	99,940	CCC	PACRA
Askari Bank Limited (3rd Issue)	456,567	438,107	449,820	450,000	AA-	PACRA
Faysal Bank Limited	150,000	-	150,000	-	AA-	JCRVIS
	1,587,233	1,761,940	1,588,852	1,788,368		
Shares in Listed Companies / Certificates / Units						
AKD Income Fund	-	44,935	-	41,850	BBB(f)	JCRVIS
AMZ Plus Income Fund	10,709	32,980	17,901	35,000	BB(f)	JCRVIS
Crosby Pheonix Fund	15,190	-	15,079	-	A(f)	JCRVIS
Askari Income Fund	-	77,430	-	75,000	-----	(Unrated)-----
Atlas Income Fund	-	50,406	-	50,435	A+(f)	PACRA
Dawood Money Market Fund	9,998	21,229	8,355	18,754	-----	(Unrated)-----
First Habib Income Fund	-	70,823	-	70,000	AA-(f)	PACRA
IGI Income Fund	-	51,508	-	49,958	A+(f)	JCRVIS
JS Aggressive Income Fund	-	48,995	-	50,695	-----	(Unrated)-----
JS Income Fund	-	99,936	-	100,079	AA-(f)	PACRA
KASB Liquid Fund	-	43,181	-	50,000	BBB+(f)	PACRA
MCB Dynamic Cash Fund	-	144,542	-	145,167	A+(f)	PACRA
Meezan Balanced Fund	18,750	15,250	9,500	9,500	A(f)	JCRVIS
Meezan Islamic Income Fund	49,959	49,346	50,000	50,000	A(f)	JCRVIS
NAFA Income Opportunity Fund						
(Formerly NAFA Cash Fund)	382,425	426,314	381,659	450,000	A+(f)	PACRA
Pak Oman Advantage Fund	157,350	159,600	150,000	150,000	AA-(f)	PACRA
Pak Oman Advantage Islamic Income Fund	30,936	30,463	30,000	30,000	A+(f)	PACRA
Pakistan Capital Market Fund	10,092	10,172	9,882	9,882	4-Star/3-Star	PACRA
Pakistan Income Fund	-	102,959	-	100,000	AA-(f)	PACRA
Pakistan Strategic Allocation Fund	-	1,776	-	912	4-Star/3-Star	PACRA
Reliance Income Fund	-	74,658	-	100,000	-----	(Unrated)-----
United Islamic Income Fund	51,545	50,960	50,000	50,000	BBB-(f)	JCRVIS
United Money Market Fund	-	198,831	-	200,239	A+(f)	JCRVIS
Adamjee Insurance Company Limited	39,771	6,165	46,916	6,175	AA	PACRA
Askari Bank Limited	-	35,763	-	15,269	AA/A1+	PACRA
J.S Bank Limited	-	889	-	1,005	A/A1	PACRA
KASB Securities Limited	11,924	24,969	24,977	93,794	A-/A2	PACRA
MCB Bank Limited	45,708	-	37,784	-	AA+/A1+	PACRA
National Bank of Pakistan	76,820	89,988	63,873	96,613	AAA/A-1+	JCRVIS

Date of issue	Market value		Cost		Long/Medium Term Credit Rating	Rated by	
	2010	2009	2010	2009			
-----Rupees in '000-----							
NIB Bank Limited	-	9,374	-	9,121	AA-/A1+	PACRA	
Samba Bank Limited	6,670	11,264	10,924	10,924	A/A-1	JCRVIS	
The Bank of Punjab	-	1,950	-	1,320	AA-/A1+	PACRA	
Al-Abbas Cement Company Limited	8,117	52,716	15,345	50,118	-----	(Unrated)-----	
Fauji Cement Company Limited	35,781	33,128	45,177	34,592	-----	(Unrated)-----	
Fecto Cement Limited	883	1,279	1,279	1,793	-----	(Unrated)-----	
Lucky Cement Limited	-	33,490	-	30,535	-----	(Unrated)-----	
Kohinoor Energy Limited	42,921	66,698	37,935	41,417	-----	(Unrated)-----	
Kot Addu Power Company Limited	61,020	22,935	64,088	22,525	-----	(Unrated)-----	
Oil and Gas Development Company Limited	-	110,610	-	106,260	AAA/A-1+	JCRVIS	
Pakistan Oilfields Limited	-	40,385	-	26,089	-----	(Unrated)-----	
Pakistan Petroleum Limited	-	15,175	-	13,278	-----	(Unrated)-----	
Pakistan State Oil Company Limited	44,277	29,744	41,979	28,757	AA+/A1+	PACRA	
Southern Electric Power Company Ltd	16,220	37,440	21,021	27,118	AA+/A1+	PACRA	
The Hub Power Company Limited	104,748	93,240	87,929	94,210	AA+/A1+	PACRA	
Hira Textile Mills Limited	5,143	3,824	2,980	2,980	-----	(Unrated)-----	
Pakistan Telecommunication Company Limited	36,676	35,300	38,287	40,546	-----	(Unrated)-----	
Telecard Limited	-	2,115	-	1,600	-----	(Unrated)-----	
Worldcall Telecom Limited	-	5,925	-	4,756	A-/A2	PACRA	
Fauji Fertilizer Bin Qasim Limited	-	13,065	-	12,390	-----	(Unrated)-----	
Fauji Fertilizer Company Limited	62,930	102,930	51,685	103,371	-----	(Unrated)-----	
Fatima Fertilizer Limited	57,478	-	60,325	-	A/A1	PACRA	
Lotte Pakistan PTA Limited	5,969	-	5,171	-	-----	(Unrated)-----	
Crescent Steel & Allied Products Limited	26,466	-	25,013	-	-----	(Unrated)-----	
ICB Islamic Bank	3,026	-	3,026	-	-----	(Unrated)-----	
	1,429,502	2,686,655	1,408,090	2,714,027			
Shares in Un-listed Companies							
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			
Preference Shares in Un-listed Companies							
First Dawood Investment Bank Limited		Not Applicable	15,000	-	-----	(Unrated)-----	
Trust Investment Bank Limited		Not Applicable	25,000	-	-----	(Unrated)-----	
			40,000	-			
Sukuk Bonds							
Ijara Sukuk Bonds I	26-Sep-08	1,000,000	1,002,075	1,000,000	1,002,075	-----	(Unrated)-----
Ijara Sukuk Bonds II	29-Dec-08	2,625,000	1,000,000	2,625,000	1,000,000	-----	(Unrated)-----
Ijara Sukuk Bonds III	11-Mar-09	3,595,000	2,500,000	3,595,000	2,500,000	-----	(Unrated)-----
Ijara Sukuk Bonds IV	17-Sep-09	6,000,000	3,405,000	6,000,000	3,405,000	-----	(Unrated)-----
Ijara Sukuk Bonds V	15-Nov-10	1,000,000	-	1,000,000	-	-----	(Unrated)-----
Ijara Sukuk Bonds VI	20-Dec-10	3,000,000	-	3,000,000	-	-----	(Unrated)-----
Sui Southern Gas Company Limited		84,569	93,203	85,950	95,950	AA	PACRA
Security Leasing Corporation Limited		34,277	50,175	45,703	56,250	-----	(Unrated)-----
Security Leasing Corporation Limited		9,521	13,954	12,695	15,625	-----	(Unrated)-----
Quetta Textile Mills limited		130,570	-	145,000	-	-----	(Unrated)-----
		17,478,937	8,064,407	17,509,348	8,074,900		
		68,584,005	53,177,073	69,380,679	53,393,469		

	Note	2010	2009
		(Rupees in '000)	
9.21 Particulars of provision for diminution in value of investments			
Opening balance		325,158	1,479,062
Charge for the year		1,991,192	317,164
Reversals		(285)	(32,375)
Provision written off during the year		(132,497)	(1,438,693)
Closing balance		2,183,568	325,158
9.22 Particulars of provision for diminution in value of investments by type and segment			
Available for sale securities			
Listed companies / mutual funds			
- Fully paid up ordinary shares / units		55,851	132,497
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- Pakistan Export Finance Guarantee Agency Limited		5,725	5,725
- Al-Hamra Hills (Private) Limited		35,000	3,723
- Al-Hamra Avenue (Private) Limited		25,000	2,314
- Term finance certificates			
- First Dawood Investment Bank Limited		30,000	-
- Preference shares			
- First Dawood Investment Bank Limited		8,064	-
- Trust Investment Bank Limited		23,652	-
Held to maturity securities			
Unlisted companies			
- Term finance certificates / sukuk bonds			
- Kohat Cement Company Limited		74,899	74,899
- Khunja Textiles Mills Limited		30,000	30,000
Investment in subsidiary company			
Unlisted company			
- Fully paid up ordinary shares of Rs. 10 each			
- Alfalah Securities (Private) Limited		76,000	76,000
Investment in associated companies			
Unlisted company			
- Fully paid up ordinary shares of Rs. 10 each			
- Warid Telecom (Private) Limited	9.22.1	1,705,824	-
Listed company			
- Fully paid up ordinary shares of Rs. 10 each			
- Wateen Telecom Limited		113,553	-
		2,183,568	325,158

9.22.1 While finalising the financial statements of the Bank for the year ended December 31, 2009, the Bank had recognised deficit on account of difference between the cost and breakup value per share of Warid Telecom (Private) Limited in the balance sheet and shown it as 'surplus / deficit on revaluation of assets'. This treatment was specifically approved by the State Bank of Pakistan vide its letter BSD / BRP-2 / 185 / 2010 dated March 1, 2010. This relaxation was extended by the SBP till June 30, 2010. As at December 31, 2010, the Bank has determined the impairment loss as difference between the carrying amount and the breakup value (based on the audited financial statements of Warid Telecom (Private) Limited as at December 31, 2010) and recognised it in the profit and loss account.

9.23 Unrealised gain on revaluation of investments classified as held for trading - net

Investee Company	Unrealised gain / (loss)		Cost	
	2010	2009	2010	2009
	-----Rupees in '000-----			
Fully paid up ordinary shares / units - Listed				
NAFA Stock Fund	-	187	-	10,952
Adamjee Insurance Company Limited	-	(59)	-	3,142
NIB Bank Limited	(33)	-	918	-
MCB Bank Limited	79	-	2,207	-
Allied Bank Limited	-	(140)	-	4,545
Arif Habib Investment Management Limited	-	(395)	-	9,297
Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	-	402	-	12,559
Jahangir Siddiqui & Company Limited	-	(36)	-	6,802
National Bank of Pakistan	872	55	8,730	2,369
United Bank Limited	-	(129)	-	3,051
Lucky Cement Limited	(71)	122	3,860	3,640
Pakistan Oilfields Limited	2,029	2,103	30,527	55,359
Pakistan Petroleum Limited	-	1,394	-	34,354
Southern Electric Power Company Limited	-	103	-	2,052
Azgard Nine Limited	(179)	(19)	1,145	3,553
Nishat Mills Limited	-	148	-	6,842
Engro Corporation Limited	-	32	-	3,232
Fauji Fertilizer Bin Qasim Limited	-	-	-	2,744
Fauji Fertilizer Company Limited	-	(1,216)	-	31,806
Fauji Cement Company Limited	(143)	-	2,711	-
D G Khan Cement Limited	(35)	-	1,846	-
ICI Pakistan Limited	-	121	-	4,092
Lotte Pakistan PTA Limited	1,185	35	11,613	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	-	8,466
Nishat Chunian Power Limited	56	-	1,169	-
Nishat Power Limited	56	-	1,162	-
Karachi Electric Supply Company Limited	(38)	-	319	-
Dewan Sulman Fiber Limited	(477)	-	1,673	-
Nishat (Chunian) Mills Limited	(2)	-	683	-
	3,299	2,849	68,563	253,440
Market Treasury Bills	1	-	966,392	-
	3,300	2,849	1,034,955	253,440

	Note	2010	2009
(Rupees in '000)			
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		188,275,876	170,988,025
Outside Pakistan		8,463,729	9,030,597
		196,739,605	180,018,622
Net investment in finance lease			
In Pakistan	10.2	6,905,615	10,143,355
Outside Pakistan		-	-
		6,905,615	10,143,355
Financing and investing assets under IFAS 2 Ijarah	10.3	3,503,758	946,536
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,799,456	1,628,365
Payable outside Pakistan		8,483,419	4,666,290
		11,282,875	6,294,655
		218,431,853	197,403,168
Provision against advances			
Specific provision against non-performing advances	10.5	(10,629,679)	(8,597,664)
General provision against advances	10.5	(649,628)	(763,066)
		(11,279,307)	(9,360,730)
		207,152,546	188,042,438
10.1 Particulars of advances - gross of provisions			
In local currency		198,514,876	181,937,581
In foreign currencies		19,916,977	15,465,587
		218,431,853	197,403,168
Short term (upto one year)		166,340,054	141,352,968
Long term (over one year)		52,091,799	56,050,200
		218,431,853	197,403,168

10.2 Net investment in finance lease

	2010				2009			
	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	1,897,754	3,021,997	-	4,919,751	2,430,770	5,545,456	5,341	7,981,567
Residual value	701,218	2,122,322	-	2,823,540	820,856	2,789,708	3,173	3,613,737
Minimum lease payments	2,598,972	5,144,319	-	7,743,291	3,251,626	8,335,164	8,514	11,595,304
Financial charges for future periods	(417,869)	(419,807)	-	(837,676)	(470,712)	(980,445)	(792)	(1,451,949)
Present value of minimum lease payments	2,181,103	4,724,512	-	6,905,615	2,780,914	7,354,719	7,722	10,143,355

10.2.1 Net investment in finance lease represents 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" 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

	2010 Asset categories				Total
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	
	----- (Rupees in '000) -----				
At January 1, 2010					
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
Year ended December 31, 2010					
Opening net book value	625,652	195,752	120,083	5,049	946,536
Additions	2,105,468	399,316	422,127	92,300	3,019,211
Disposals	-	-	-	-	-
Depreciation	(285,105)	(95,551)	(65,661)	(22,166)	(468,483)
Adjustment	6,494	-	-	-	6,494
Closing net book value	2,452,509	499,517	476,549	75,183	3,503,758
At December 31, 2010					
Cost	2,765,843	620,642	545,694	98,294	4,030,473
Accumulated depreciation	(313,334)	(121,125)	(69,145)	(23,111)	(526,715)
Net book value	2,452,509	499,517	476,549	75,183	3,503,758

	2009 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

	2010	2009
	(Rupees in '000)	
c) Future Ijarah payments receivable		
Not later than one year	5,150	196,989
Later than one year and not later than five years	5,550,544	1,078,778
Later than five years	106,542	-
	5,662,236	1,275,767

10.4 Advances include Rs 18.320 billion (2009: Rs 16.186 billion) which have been placed under non-performing status as detailed below:

Category of Classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially Mentioned (Agri Financing) - note 10.4.1	192,889	-	192,889	-	-	-	-	-	-
Substandard	740,674	-	740,674	81,144	-	81,144	81,144	-	81,144
Doubtful - note 10.4.2	3,174,699	-	3,174,699	458,546	-	458,546	458,546	-	458,546
Loss	14,101,760	110,000	14,211,760	10,062,501	27,488	10,089,989	10,062,501	27,488	10,089,989
	18,210,022	110,000	18,320,022	10,602,191	27,488	10,629,679	10,602,191	27,488	10,629,679

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
	15,885,998	299,718	16,185,716	8,391,838	205,826	8,597,664	8,391,838	205,826	8,597,664

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

10.4.1 During the year, the State Bank of Pakistan through BSD Circular No. 6 of 2010 dated November 2, 2010 has allowed all banks to defer provisioning against all loans and advances which have been restructured / rescheduled as a result of recent floods in Pakistan. However, such loans and advances shall continue to be classified as per the criteria laid down in the Prudential Regulations. Further, the aforementioned deferment is only available for such loans and advances which have become non-performing after July 1, 2010. Had this relaxation not been available, the provision against loans and advances would have been higher by Rs. 48.599 million and the profit before taxation for the current year would have been lower by the same amount.

10.4.2 During the year, financing facility disbursed to Agritech Limited has been restructured as a result of financial difficulties / repayment problems faced by the Company. The State Bank of Pakistan vide its letter no. BSD/BRP-5/X/000197/2011 dated January 6, 2011 has allowed extension for withholding provisioning against the exposure till March 31, 2011, to all those banks who have agreed to reschedule / restructure their exposures against the Company. Had the exemption not been provided by the State Bank of Pakistan, the provision against loans and advances would have been higher by Rs. 188.839 million and the profit before taxation for the current year would have been lower by same amount.

10.5 Particulars of provisions against advances

Note	2010			2009		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
Opening balance	8,597,664	763,066	9,360,730	5,055,598	1,085,085	6,140,683
Exchange adjustment and other movements	1,499	(473)	1,026	51,038	(30,892)	20,146
Charge for the year	3,280,145	-	3,280,145	4,854,498	-	4,854,498
Reversals / recoveries	(923,493)	(112,965)	(1,036,458)	(868,825)	(291,127)	(1,159,952)
	2,356,652	(112,965)	2,243,687	3,985,673	(291,127)	3,694,546
Amounts written off	10.6.1 (326,136)	-	(326,136)	(494,645)	-	(494,645)
Closing balance	10,629,679	649,628	11,279,307	8,597,664	763,066	9,360,730

10.5.1 The State Bank of Pakistan (SBP) vide its BSD circular no. 10 dated October 20, 2009 and BSD circular no. 2 dated June 3, 2010 has allowed banks to avail the benefit of 40% of forced sale value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against non-performing loans for 4 years (previously 3 years) from date of classification for calculating provisioning requirement. However, the additional impact on profitability arising from availing the benefit of forced sale value against pledged stocks and mortgaged commercial, residential and industrial properties would not be available for payment of cash or stock dividend.

Had the provision against non-performing loans and advances being determined in accordance with previously laid down requirement 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, 2010 would have been lower by approximately Rs. 202.567 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2010 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs. 2,244.780 million (2009: Rs. 1,562.488 million).

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

Note	2010			2009		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	10,602,191	578,193	11,180,384	8,391,838	688,699	9,080,537
In foreign currencies	27,488	71,435	98,923	205,826	74,367	280,193
	10,629,679	649,628	11,279,307	8,597,664	763,066	9,360,730

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	2010	2009
(Rupees in '000)			
10.6 Particulars of write-offs			
10.6.1 Against provisions		326,136	494,645
Directly charged to profit and loss account		25,504	59,817
		351,640	554,462
10.6.2 Write offs of Rs. 500,000 and above		8,746	46,946
Write offs of below Rs. 500,000		342,894	507,516
		351,640	554,462

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 December 31, 2010 is given in Annexure-I.

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	3,592,275	2,994,577
- Loans granted during the year	1,990,615	1,257,102
- Repayments during the year	(1,477,540)	(659,404)
- Balance at end of year	4,105,350	3,592,275

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	2,169,012	998,792
- Loans granted during the year	10,932,476	2,168,474
- Repayments during the year	(10,960,392)	(998,254)
- Balance at end of year	2,141,096	2,169,012

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

- Balance at beginning of year	601,076	220,395
- Loans granted during the year	2,249,508	5,853,280
- Repayments during the year	(2,241,366)	(5,472,599)
- Balance at end of year	609,218	601,076

Total	6,855,664	6,362,363
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11 FIXED ASSETS

Capital work-in-progress	11.1	679,951	2,225,154
Property and equipment	11.2	12,957,410	12,079,035
Intangible assets	11.3	567,194	188,005
		14,204,555	14,492,194

	2010	2009
	(Rupees in '000)	
11.1 Capital work-in-progress		
Civil works	228,406	662,923
Equipment / intangibles	189,993	1,265,727
Advances to suppliers and contractors	234,318	266,511
Others	27,234	29,993
	679,951	2,225,154

11.2 Property and equipment

Description	2010									
	Cost / revaluation at January 1, 2010	Additions / (disposals) / *adjustments	Reversal of deficit on revaluation	Cost / Revaluation as at December 31, 2010	Accumulated depreciation at January 1, 2010	Depreciation for the year / (on disposal) / *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2010	Accumulated depreciation at December 31, 2010	Net Book Value at December 31, 2010	Rate of depreciation %
----- (Rupees in '000) -----										per annum
Office premises	4,672,951	397,929 (6,501) * 1,700	-	5,066,079	-	78,207 (221) * 1,506	-	79,492	4,986,587	2.5%-5.5%
Revaluation	3,533,605	- 636	7,989	3,542,230	-	45,685	-	45,685	3,496,545	2.5%-5.5%
	8,206,556	397,929 (5,865) * 1,700	7,989	8,608,309	-	123,892 (221) * 1,506	-	125,177	8,483,132	
Lease hold improvements	2,293,010	440,116 (17,183) * (14,667)	-	2,701,276	1,118,831	451,530 (14,964) * (6,348)	-	1,549,049	1,152,227	20%
Furniture and fixtures	1,371,592	209,790 (10,765) * (2,171)	-	1,568,446	477,428	150,565 (6,837) * 386	-	621,542	946,904	10% - 25%
Office equipment	4,515,140	1,427,471 (30,411) * 34,443	-	5,946,643	2,811,168	855,272 (23,839) * 5,809	-	3,648,410	2,298,233	20% - 25%
Vehicles	243,851	16,976 (30,136) * 1,147	-	231,838	143,687	39,113 (27,888) * 12	-	154,924	76,914	25%
	16,630,149	2,492,282 (94,360) * 20,452	7,989	19,056,512	4,551,114	1,620,372 (73,749) * 1,365	-	6,099,102	12,957,410	

2009

Description	Cost / revaluation at January 1, 2009	Additions / (disposals) / *adjustments	Reversal of deficit on revaluation	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) -----									
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	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 1,677 million (2009: Rs. 1,186 million).

11.2.2 Office premises were last revalued on December 30, 2009 on the basis of market values determined by Harvester Services (Private) Limited, Valuation and Engineering Consultant. Had there been no revaluation, the net book value of office premises would have been Rs. 4,986.587 million.

11.3 Intangible assets

Description	2010							
	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 (note 11.3.1)	395,338	552,206 - * (117)	947,427	207,333	172,949 - * (49)	380,233	567,194	20%
Goodwill	109,971	-	109,971	109,971	-	109,971	-	
	505,309	552,206 - * (117)	1,057,398	317,304	172,949 - * (49)	490,204	567,194	

	2009							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization % per annum
	Opening Balance	Additions/ (Deletions)/ * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance		
(Rupees in '000)								
Computer software	360,411	34,988 - * (61)	395,338	142,480	64,999 - * (146)	207,333	188,005	20%
Goodwill	109,971	-	109,971	109,971	-	109,971	-	
	470,382	34,988 - * (61)	505,309	252,451	64,999 - * (146)	317,304	188,005	

11.3.1 This includes additional amortisation charge of Rs. 24.344 million which has been recognised during the year on account of reassessment of useful life over which the benefits associated with a specific intangible should be recognised.

11.3.2 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 174.664 million (2009: Rs. 169.289 million).

11.4 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						
Bhera branch	4,925	-	4,925	4,945	Negotiation	Mr. Kh. Abdul Latif
Defence Office Premises	557	32	525	524	Insurance claim	M/s Alfalah Insurance (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	383	189	194	79	Various	Various
	5,865	221	5,644	5,548		
Leasehold Improvements						
Renovation work	2,738	2,738	-	-	Write Off	N/A
Renovation work	6,182	6,182	-	-	Write Off	N/A
Renovation work	1,158	742	416	416	Insurance Claim	M/s Alfalah Insurance (Related party)
Renovation work	1,033	1,033	-	-	Write Off	N/A
Renovation work	1,860	795	1,065	-	Write Off	N/A
Renovation work	821	491	330	-	Write Off	N/A
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	3,391	2,983	408	21	Various	Various
	17,183	14,964	2,219	437		
Furniture and fixtures						
Furniture & Fixture	1,374	511	863	1,072	Insurance Claim	M/s Alfalah Insurance (Related party)
Furniture & Fixture	1,799	1,342	457	429	Bid	Jahandad Society for Community Development
Furniture & Fixture	465	90	375	449	Insurance Claim	M/s Alfalah Insurance (Related party)
Furniture & Fixture	493	156	337	338	Insurance Claim	M/s Alfalah Insurance (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,634	4,738	1,896	1,756	Various	Various
	10,765	6,837	3,928	4,044		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Office equipment						
Diesel Generator	1,170	1,167	3	507	Bid	Mr. Haider Ali
Diesel Generator	1,200	1,061	139	536	Bid	Mr. Haider Ali
Diesel Generator	1,074	868	206	412	Bid	Mr. Haider Ali
Diesel Generator	1,074	852	222	412	Bid	Mr. Haider Ali
Assets destroyed in fire	2,160	1,035	1,125	1,269	Insurance Claim	M/s Alfalah Insurance (Related party)
Diesel Generator	950	588	362	413	Bid	Mr. Haider Ali
Diesel Generator	962	666	296	530	Bid	Mr. Dilawar Gill
Assets destroyed in fire	1,185	828	357	696	Insurance Claim	M/s Alfalah Insurance (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	20,636	16,774	3,862	5,255	Various	Various
	30,411	23,839	6,572	10,030		
Vehicles						
Toyota Corolla	1,548	1,530	18	643	Bid	Mr.Haji Noorullah
Honda Civic	1,195	1,195	-	793	Bid	Mr.Umer Zameer
Toyota Corolla	1,005	749	256	1,067	Bid	Mr.M.Saleem
Honda Accord	3,603	2,048	1,555	1,629	As Per Bank Policy	Mr.Iqbal Saifi
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	22,785	22,366	419	18,303	Various	Various
	30,136	27,888	2,248	22,435		
Total - December 31, 2010	94,360	73,749	20,611	42,494		
- December 31, 2009	177,402	108,757	68,645	112,166		

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

	Note	2010	2009
(Rupees in '000)			
12 OTHER ASSETS			
Income / mark-up accrued in local currency		12,054,069	10,181,633
Income / mark-up accrued in foreign currencies		353,062	467,294
Advances, deposits, advance rent and other prepayments		1,387,559	1,881,591
Assets acquired in satisfaction of claims	12.1	354,109	338,920
Advances against future Murabaha		1,270,265	3,512,142
Advances against future Ijarah		283,706	161,426
Advances against Diminishing Musharakah		150,469	156,845
Branch adjustment account		364,265	112,533
Tax recoverable		254,009	369,382
Dividend receivable		17,958	5,818
Unrealised gain on forward foreign exchange contracts		76,368	-
Prepaid exchange risk fee		1,691	2,066
Stationery and stamps on hand		93,266	92,386
Others		145,096	19,071
		16,805,892	17,301,107
Less: Mark up held in suspense account		(3,876,953)	(2,642,053)
Provision held against other assets	12.2	(102,714)	(9,674)
		12,826,225	14,649,380
12.1 Market value of assets acquired in satisfaction of claims		274,753	341,200

	Note	2010	2009
		(Rupees in '000)	
12.2 Provision held against other assets			
Opening balance		9,674	9,674
Charge for the year	12.2.1	93,040	-
Reversals		-	-
Amount written off		-	-
Closing balance		102,714	9,674
12.2.1 This includes an amount of Rs. 93.040 million recognised during the year on account of impairment in the value of asset acquired in satisfaction of claim.			
13 BILLS PAYABLE			
In Pakistan		4,358,194	3,576,887
Outside Pakistan		163,339	189,257
		4,521,533	3,766,144
14 BORROWINGS			
In Pakistan		11,602,025	18,887,601
Outside Pakistan		2,098,099	1,766,320
		13,700,124	20,653,921
14.1 Particulars of borrowings with respect to currencies			
In local currency		11,602,025	18,887,601
In foreign currencies		2,098,099	1,766,320
		13,700,124	20,653,921
14.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	14.3	9,150,442	8,652,611
Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	14.4	302,198	470,866
Long Term Finance Facility	14.5	336,300	75,513
Modernisation of SMEs	14.6	11,620	-
Repurchase agreement borrowings	14.7	1,801,465	9,488,610
		11,602,025	18,687,600
Unsecured			
Call borrowings		2,098,099	1,809,016
Overdrawn nostro accounts		-	157,305
		2,098,099	1,966,321
		13,700,124	20,653,921

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 from 7.50% to 9.00% per annum (2009: 7.50% to 8.00% 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 4.00% to 5.00% per annum (2009: 4.00% to 5.00% per annum) payable on a quarterly basis.

14.5 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 6.50% to 8.60% per annum (2009: 6.50% per annum) payable on a quarterly basis.

- 14.6 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 is 6.00% per annum payable on a quarterly basis.
- 14.7 This represents repurchase agreement borrowings from other banks at rates ranging from 12.50% to 13.30% per annum (2009: 11.50% to 12.40% per annum) maturing by January 2011 (2009: July 2010).

	2010	2009
	(Rupees in '000)	
15 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	102,317,555	121,729,436
Savings deposits	96,350,207	83,905,340
Current accounts - non-remunerative	119,435,697	88,461,061
Others	4,888,918	4,753,199
	322,992,377	298,849,036
Financial institutions		
Remunerative deposits	30,760,292	25,709,867
Non-remunerative deposits	262,642	200,849
	31,022,934	25,910,716
	354,015,311	324,759,752
15.1 Particulars of deposits		
In local currency	284,346,578	263,449,900
In foreign currencies	69,668,733	61,309,852
	354,015,311	324,759,752
16 SUB-ORDINATED LOANS		
Term Finance Certificates II - Quoted, Unsecured	1,247,120	1,247,600
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 and 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	

		2010	2009
		(Rupees in '000)	
Term Finance Certificates III - Quoted, Unsecured		1,322,072	1,322,581
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 and 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		
Term Finance Certificates IV - Private, Unsecured		4,998,000	5,000,000
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 and 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		
		7,567,192	7,570,181

	Note	2010	2009
(Rupees in '000)			
17 DEFERRED TAX LIABILITIES - NET			
Deferred credits arising due to			
Difference between accounting book value of leased assets and lease liabilities		423,548	283,772
Accelerated tax depreciation		1,498,339	1,396,781
Loss on remeasurement of held for trading investment		1,155	-
Surplus on revaluation of operating fixed assets		710,417	723,611
		2,633,459	2,404,164
Deferred debits arising due to			
Provision for doubtful debts		(1,425,638)	(1,732,167)
Provision against other assets		-	(3,386)
Provision against off-balance sheet obligations		(15,472)	(13,168)
Impairment in the value of investments	17.1	(964,755)	(224,788)
Unrealised loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale		(137)	(10,201)
Deficit on revaluation of securities		(111,538)	(240,603)
		(2,517,540)	(2,224,313)
		115,919	179,851

17.1 This includes deferred tax in respect of impairment recognised in value of investments 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 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,125,510	4,264,671
Mark-up / return / interest payable in foreign currencies		238,160	379,660
Unearned commission and income on bills discounted		221,898	171,693
Accrued expenses		979,116	590,325
Payable against redemption of credit card reward points		111,547	133,601
Security deposits against leases		4,081,356	3,983,439
Exchange difference payable to the State Bank of Pakistan		30,912	44,081
Payable to brokers	18.1	728	3,007
Unrealised loss on forward foreign exchange contracts		-	55,350
Provision against off-balance sheet obligations	18.2	44,207	37,623
Workers' Welfare Fund	28.1	51,165	63,260
Others		373,617	280,076
		9,258,216	10,006,786

18.1 This represents amounts payable to brokers against purchase of shares.

18.2 Provision against off-balance sheet obligations

Opening balance		37,623	38,142
Exchange adjustment		528	900
Charge for the year		6,056	(1,419)
Closing balance		44,207	37,623

19 SHARE CAPITAL

19.1 Authorised capital

2010	2009	Note	2010	2009
(Number of shares)			(Rupees in '000)	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up capital ordinary shares of Rs. 10 each

2010	2009	Note	2010	2009
(Number of shares)			(Rupees in '000)	
		Ordinary shares		
		Fully paid in cash		
624,750,000	225,000,000	- at the beginning of the year	6,247,500	2,250,000
-	399,750,000	- during the year	-	3,997,500
624,750,000	624,750,000		6,247,500	6,247,500
		Issued as bonus shares		
724,406,250	574,500,000	- at the beginning of the year	7,244,063	5,745,000
-	149,906,250	- during the year	-	1,499,063
724,406,250	724,406,250		7,244,063	7,244,063
1,349,156,250	1,349,156,250		13,491,563	13,491,563

20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of:

- Fixed assets	20.1	2,786,128	2,809,994
- Available for sale securities	20.2	(207,140)	230,343
- Investment in associate	20.3	-	(677,177)
		2,578,988	2,363,160

20.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets at January 1

Transferred to retained earnings in respect of incremental depreciation charged during the year

Related deferred tax liability in respect of incremental depreciation charged during the year

Surplus on revaluation of fixed assets recognised during the year

Reversal of deficit on account of disposal of property

Other reversal

		3,533,605	3,154,726
		(29,695)	(24,696)
		(15,990)	(13,298)
		-	416,873
		636	-
		7,989	-
		(37,060)	378,879
		3,496,545	3,533,605
		723,611	585,753
		2,796	151,156
		(15,990)	(13,298)
		(13,194)	137,858
		710,417	723,611
		2,786,128	2,809,994

	Note	2010	2009
		(Rupees in '000)	
20.2 Surplus / (deficit) on revaluation of available for sale securities			
Deficit on:			
Government securities		(616,235)	(22,282)
Term finance certificates - quoted		(1,619)	(26,428)
Sukuk bonds		(30,411)	(10,493)
Surplus on:			
Quoted shares / units / certificates		329,587	413,577
Related deferred tax asset / (liability)		(318,678)	354,374
		111,538	(124,031)
		(207,140)	230,343
20.3 Deficit on investment in associate			
Warid Telecom (Private) Limited	9.22.1	-	(1,041,811)
Related deferred tax asset		-	364,634
		-	(677,177)
21 CONTINGENCIES AND COMMITMENTS			
21.1 Direct credit substitutes			
i) Government		875,489	2,559,129
ii) Banking companies & other financial institutions		6,972	2,385,416
iii) Others		2,345,386	996,298
		3,227,847	5,940,843
21.2 Transaction-related contingent liabilities			
i) Government		39,192,697	44,686,175
ii) Banking companies & other financial institutions		783,073	1,179,920
iii) Others		18,238,077	7,252,879
		58,213,847	53,118,974
21.3 Trade-related contingent liabilities			
Letters of credit		46,125,101	35,113,200
Acceptances		5,200,075	3,468,109
21.4 Other contingencies			
Claims against the Bank not acknowledged as debts		4,738,505	3,117,529
21.5 Commitments in respect of forward lendings			
Forward repurchase agreement lendings		-	-
Commitments to extend credit		4,261,342	6,947,330
21.6 Commitments in respect of forward exchange contracts			
Purchase		32,707,614	19,518,293
Sale		20,936,061	10,528,925

	Note	2010	2009
		(Rupees in '000)	
21.7	Commitments for the acquisition of fixed assets	250,339	367,514
21.8	Commitments in respect of repo transactions		
	Repurchase	1,812,780	9,539,831
	Resale	1,726,402	11,370,376
21.9	Other commitments		
	Donations	11,000	22,000

21.10 Contingency for tax payable (note 29.1)

22 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.

23	MARK-UP / RETURN / INTEREST EARNED		
a)	On loans and advances to:		
	i) customers	24,923,043	25,710,840
	ii) financial institutions	863,473	307,850
b)	On investments in:		
	i) held for trading securities	7,261	2,023
	ii) available for sale securities	5,676,018	5,033,071
	iii) held to maturity securities	5,273,320	3,184,792
c)	On deposits with financial institutions	395,708	730,346
d)	On securities purchased under resale agreements	181,785	562,716
e)	Profit earned on ijarah assets net of depreciation	23.2 209,648	29,674
		37,530,256	35,561,312

23.1 These include mark-up earned of Rs. 4,896.987 million (2009: Rs. 3,373.900 million) which pertains to the Bank's Islamic Banking Division.

	Note	2010	2009
(Rupees in '000)			
23.2 Profit earned on ijarah assets			
Lease rentals earned		678,131	94,400
Depreciation for the year		(468,483)	(64,726)
		209,648	29,674
24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		18,404,710	21,385,092
Securities sold under repurchase agreements		1,771,569	639,790
Other short term borrowings		2,371,834	1,979,966
Term Finance Certificates		1,109,062	532,883
Brokerage and commission		198,273	112,813
Others		-	3,636
		23,855,448	24,654,180
25 GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
- Market Treasury Bills		64	8,112
- Pakistan Investment Bonds		1,440	35,143
Shares - listed		76,105	585,669
Sukuk Bonds		-	60,000
		77,609	688,924
26 OTHER INCOME			
Gain on sale of fixed assets		21,883	43,521
Postage, telex service charges etc.		1,280,930	1,214,563
Provision no longer required written back		-	51,443
		1,302,813	1,309,527
27 ADMINISTRATIVE EXPENSES			
Non executive director fee & allowances		15,751	14,354
Salaries, allowances, etc.		5,195,344	4,594,479
Charge for defined benefit plan	34.7	145,379	189,352
Contribution to defined contribution plan	35	177,275	156,832
Rent, taxes, insurance, electricity, etc.		2,010,240	1,664,623
Legal and professional charges		220,224	213,508
Communications		491,168	464,661
Repairs and maintenance		804,161	644,613
Stationery and printing		188,592	169,132
Advertisement and publicity		382,908	468,373
Capital work-in-progress written off		99,423	-
Donations	27.1	27,570	12,570
Auditors' remuneration	27.2	13,881	13,020
Depreciation	11.2	1,620,372	1,467,784
Amortisation of intangible assets	11.3	172,949	64,999
Entertainment, vehicle running expenses, travelling and subscription		359,568	319,068
Others		653,275	466,139
		12,578,080	10,923,507

	Note	2010	2009
(Rupees in '000)			
27.1 Donations			
Marie Adelaide Leprosy Center, Larkana		850	850
Publician Alumni Trust - Cantt Public School		720	720
Institute of Business Administration		11,000	11,000
Relief Fund for Tameer-e-Pakistan Chief Minister of Punjab		10,000	-
Governor of Punjab Flood Relief Fund		5,000	-
		27,570	12,570
None of the directors or their spouses had any interest in the donees.			
27.2 Auditors' remuneration			
Audit fee		4,550	3,620
Half yearly review		1,000	800
Special certifications and sundry advisory services		2,250	2,442
Out-of-pocket expenses		1,880	1,783
		9,680	8,645
Fee for audit of foreign branches		4,201	4,375
		13,881	13,020
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		25,500	16,194
Workers' Welfare Fund	28.1	51,165	63,260
		76,665	79,454
28.1	As per the Worker's Welfare Ordinance, 1971, the Bank is liable to pay Workers' Welfare Fund @ 2% of accounting profit before tax or declared income as per the income tax return, whichever is higher.		
29 TAXATION			
For the year			
Current		842,232	1,066,301
Deferred		(370,883)	(767,346)
For prior years			
Current		(262,137)	(936,365)
Deferred		191,081	756,691
		(71,056)	(179,674)
		400,293	119,281

29.1 The income tax assessments of the Bank have been finalised upto and including tax year 2010. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh. These issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

For all assessments finalised upto tax year 2009, adequate provision has been made by the Bank in these financial statements. In respect of tax year 2010, the tax authorities have disallowed certain expenditure on account of non-deduction of withholding tax resulting in additional demand of Rs. 141.226 million. The management's appeal in respect of this add-back is currently pending with the Commissioner of Inland Revenue (Appeals). The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of this amount.

	2010	2009
	(Rupees in '000)	
29.2 Relationship between tax expense and accounting profit		
Profit before taxation	1,368,745	1,016,316
Tax at the applicable rate of 35% (2009: 35%)	479,061	355,711
Effect of:		
- income chargeable to tax at reduced rates	(51,106)	(62,352)
- permanent differences	8,740	4,400
- tax charge pertaining to overseas branches	23,018	2,542
- tax for prior years	(71,056)	(179,674)
- others	11,636	(1,346)
Tax expense for the year	400,293	119,281
30 BASIC / DILUTED EARNINGS PER SHARE		
Profit after taxation for the year	968,452	897,035
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,349,156	1,267,533
	(Rupees)	
Basic / Diluted earnings per share	0.72	0.71

30.1 During the year, the Bank has recognised impairment in the value of its investment in Warid Telecom (Private) Limited based on the difference between the cost and break-up value as at December 31, 2010. The deficit upto December 31, 2009 was recognised in the statement of financial position based on the exemption given by the State Bank of Pakistan. Had the deficit upto December 31, 2009 been recognised in the profit and loss account for that year, the earnings per share for the current year would have been higher by Rs. 0.50 and of the corresponding period would have been lower by Rs. 0.54.

	2010	2009
	(Rupees in '000)	
31 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	41,197,841	35,056,012
Balances with other banks	16,179,255	22,722,639
Call money lendings	4,773,903	3,710,396
	62,150,999	61,489,047

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 2010 (2009: AA [Double A]) for long term and A1+ [A one plus] for short term).

	2010	2009
	(Number of Employees)	
33 STAFF STRENGTH		
Permanent	6,876	6,579
Temporary / On contractual basis	695	883
Bank's own staff strength at the end of the year	7,571	7,462
Outsourced	2,438	2,089
Total staff strength	10,009	9,551

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, 2010. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2010	2009
Discount factor used	14.00%	14.00%
Expected rate of return on plan assets	12.00%	14.00%
Expected rate of salary increase	14.00%	14.00%
Normal retirement age	60 Years	60 Years

	2010	2009
	(Rupees in '000)	

34.2 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligations	1,002,268	802,966
Fair value of plan assets	(677,430)	(696,403)
Net actuarial losses not recognised	(324,838)	(106,563)
	-	-

34.3 Movement in defined benefit obligation

Obligations at the beginning of the year	802,966	737,369
Current service cost	125,207	115,249
Interest cost	112,415	110,605
Benefits paid	(44,217)	(27,527)
Actuarial (gain) / loss on obligation	5,897	(132,730)
Obligations at the end of the year	1,002,268	802,966

34.4 Movement in fair value of plan assets

Fair value at the beginning of the year	696,403	468,272
Expected return on plan assets	97,497	70,241
Contributions	145,379	189,352
Benefits paid	(44,217)	(27,527)
Actuarial gain / (loss) on plan assets	(217,632)	(3,935)
Fair value at the end of the year	677,430	696,403

34.5 Plan assets consist of the following:

Ordinary shares	104,423	27,000
Term Finance Certificates	92,847	72,574
Term Deposit Receipts	163,153	278,853
Pakistan Investment Bonds	18,844	18,844
Units of mutual funds	144,995	91,596
Cash and bank	153,168	207,536
	677,430	696,403

34.6 Movement in payable to defined benefit plan

Opening balance	-	-
Charge for the year	145,379	189,352
Bank's contribution to fund made during the year	(145,379)	(189,352)
Closing balance	-	-

	Note	2010	2009
(Rupees in '000)			
34.7 Charge for defined benefit plan			
Current service cost		125,207	115,249
Interest cost		112,415	110,605
Expected return on plan assets		(97,497)	(70,241)
Actuarial losses		5,254	32,324
Past service cost		-	1,415
		145,379	189,352
34.8 Actual return on plan assets		(120,135)	66,306

34.9 Historical information

	2010	2009	2008	2007	2006
----- (Rupees in '000) -----					
Defined benefit obligation	1,002,268	802,966	737,369	546,346	366,308
Fair value of plan assets	677,430	696,403	468,272	352,811	250,757
Deficit	(324,838)	(106,563)	(269,097)	(193,535)	(115,551)
Experience adjustments on plan liabilities	(5,897)	132,730	(68,203)	(87,394)	(45,151)
Experience adjustments on plan assets	(217,632)	(3,935)	(28,212)	(2,673)	(7)

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. 177.275 million (2009: Rs. 156.832 million) in respect of this fund.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
----- (Rupees in '000) -----						
Fee	-	-	15,751	14,354	-	-
Bonus	10,185	1,287	-	-	261,581	128,437
Managerial remuneration	10,140	8,140	-	-	1,097,927	940,387
Post employment benefits	1,619	1,286	-	-	132,044	105,915
Rent and house maintenance	3,888	3,088	-	-	354,006	293,317
Utilities	972	772	-	-	82,991	68,948
	26,804	14,573	15,751	14,354	1,928,549	1,537,004
Number of persons	1	1	4	4	858	703

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 the State Bank of Pakistan.

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.

	2010		2009	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	32,707,614	32,437,045	19,518,293	19,474,475
Forward sale of foreign exchange	20,936,061	20,589,124	10,528,925	10,540,457

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-----				
2010				
Total income	9,199,236	4,742,820	28,296,361	42,238,417
Total expenses	9,047,421	4,361,948	27,460,303	40,869,672
Net income	151,815	380,872	836,058	1,368,745
Segment assets	22,450,071	23,662,933	365,370,835	411,483,839
Segment non-performing loans	-	3,479,864	14,840,158	18,320,022
Segment provision required against loans and advances	-	2,561,539	8,717,768	11,279,307
Segment liabilities	21,848,034	25,517,913	341,812,348	389,178,295
Segment return on assets (ROA) (%)	10.73%	17.47%	11.98%	
Segment cost of funds (%)	9.30%	16.07%	10.33%	
2009				
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%	

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 are as follows:

	2010						Total
	Directors	Key Management Personnel	Group Companies	Associates	Subsidiary	Strategic Investments	
	----- (Rupees in '000) -----						
39.1 Deposits							
Balance at the beginning of the year	7,591	32,603	756,418	1,794,730	16,363	18	2,607,723
Placements during the year	82,297	606,162	10,942,390	44,848,947	2,052,107	-	58,531,903
Withdrawals during the year	(61,101)	(594,509)	(11,550,755)	(45,416,064)	(2,063,849)	-	(59,686,278)
Balance at the end of the year	28,787	44,256	148,053	1,227,613	4,621	18	1,453,348
39.2 Advances							
Balance at the beginning of the year	7,955	90,564	400,000	1,769,012	601,076	-	2,868,607
Disbursements during the year	2,616	122,095	-	10,932,476	2,249,508	-	13,306,695
Repayments during the year	(1,339)	(62,973)	-	(10,960,392)	(2,241,366)	-	(13,266,070)
Balance at the end of the year	9,232	149,686	400,000	1,741,096	609,218	-	2,909,232
39.3 Investments							
Balance at the beginning of the year	-	-	253,161	5,883,753	76,000	120,000	6,332,914
Investments during the year	-	-	60,769	-	-	-	60,769
Withdrawals during the year	-	-	(263,930)	(196,804)	-	-	(460,734)
Balance at the end of the year	-	-	50,000	5,686,949	76,000	120,000	5,932,949
39.4 Call borrowings / Repo							
Balance at the beginning of the year	-	-	1,890,926	-	-	-	1,890,926
Borrowing during the year	-	-	31,207,334	-	-	-	31,207,334
Repayments during the year	-	-	(33,098,260)	-	-	-	(33,098,260)
Balance at the end of the year	-	-	-	-	-	-	-
39.5 Call lendings / Reverse Repo							
Balance at the beginning of the year	-	-	100,000	-	-	-	100,000
Placements during the year	-	-	13,602,511	-	-	-	13,602,511
Withdrawals during the year	-	-	(13,702,511)	-	-	-	(13,702,511)
Balance at the end of the year	-	-	-	-	-	-	-

	Note	2010	2009
(Rupees in '000)			
39.6 Advances			
Running finance			
- Subsidiary company		9,218	-
- Other related parties		1,741,096	1,768,474
Long term loans			
- Subsidiary company		600,000	601,076
- Other related parties		558,918	499,057
39.7 Contingencies and commitments			
Letter of credit and acceptance outstanding		27,690	25,609
Guarantees outstanding		165,578	155,800
39.8 Customer accounts			
PLS accounts			
- Other related parties		1,271,861	1,937,903
Current accounts			
- Subsidiary company		4,621	16,363
- Other related parties		112,570	120,915
Fixed deposit accounts			
- Other related parties		64,296	532,542
39.9 Balances with other banks			
- Balance with United Bank Limited		930,689	702,703
39.10 With subsidiary company			
Brokerage expense		2,275	1,312
Mark-up income		-	32,725
Rent income		3,298	3,545
Lease rental		-	1,261
Provision held against advances		609,218	580,058
Rent Receivable		3,603	305
Finance lease income		-	174
Brokerage payable		214	1,891
Mark-up receivable on advances		108,121	23,810
Security deposit		-	344
Bank charges recovered		77	142
Provision held against investment		76,000	76,000
39.11 With associated companies			
Insurance premium paid to Alfalah Insurance Company Limited		322,757	182,035
Mark-up income on advances		318,512	207,751
Mark-up expense on deposits		245,230	423,954
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited		36,916	32,215
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges		136,524	343,675
Provision made during the year in respect of investment in Warid Telecom (Private) Limited		1,705,824	-
Provision made during the year in respect of investment in Wateen Telecom Limited		113,553	-

	Note	2010	2009
(Rupees in '000)			
39.12 With other related parties			
Capital gain on redemption of units of USAF		-	824
Capital gain on sale of shares of UBL		1,353	6,719
Loss on redemption of units of UMMF / UGIF		5,641	-
Contribution to employees provident fund		177,275	156,832
Payment for books of Ikram Majeed Sehgal		-	2,755
Provision made during the year in respect of strategic investments		53,963	6,037
Mark-up income on financing to group company		62,076	12,984
39.13 The key management personnel / directors compensation are as follows:			
Salaries and allowances		577,964	540,877

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, 2010

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	2010	2009
		(Rupees in '000)	
Regulatory capital base			
Tier I capital			
Fully paid-up capital		13,491,563	13,491,563
Reserves (excluding foreign exchange translation reserves)		2,961,132	2,767,442
Unappropriated / unremitted profits (net of losses)		2,415,860	2,690,728
Less: Book value of intangibles		(662,956)	(455,412)
Shortfall in provisions required against classified assets irrespective of any relaxation allowed		(262,418)	(1,041,811)
Deductions in respect of investment in TFCs of other banks in excess of limits prescribed in Appendix 1.1(3)(iii) of SBP Basel II Framework		(6,567)	-
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(99,741)	(99,741)
Total Tier I Capital		17,836,873	17,352,769
Tier II Capital			
Subordinated debt (upto 50% of total Tier 1 capital)		5,598,739	6,114,552
General provisions for loan losses subject to 1.25% of total risk weighted assets		667,406	763,066
Revaluation reserve (upto 45%)		1,430,040	1,749,591
Foreign exchange translation reserves		858,001	820,527
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(99,741)	(99,741)
Total Tier II capital		8,454,445	9,347,995
Eligible Tier III capital		-	-
Total regulatory capital	(a)	26,291,318	26,700,764

	Capital requirements		Risk Weighted Assets	
	2010	2009	2010	2009
-----Rupees in '000-----				
Risk-weighted exposures				
Credit risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	1,369,804	950,190	13,698,039	9,501,899
Public Sector Entities (PSEs)	524,644	294,973	5,246,440	2,949,732
Banks	1,704,327	1,402,557	17,043,266	14,025,570
Corporates	10,953,491	8,191,058	109,534,910	81,910,578
Retail portfolio	3,384,670	3,439,497	33,846,700	34,394,962
Residential mortgage finance	386,220	388,011	3,862,200	3,880,110
Listed equities and regulatory capital instruments issued by others banks	208,174	185,572	2,081,742	1,855,715
Unlisted equity investments	440,414	620,692	4,404,141	6,206,924
Fixed Assets	1,354,160	1,430,419	13,541,599	14,304,189
Other Assets	568,404	810,182	5,684,036	8,101,820
Past Due Exposures	917,444	854,311	9,174,438	8,543,115
Market risk				
Portfolios subject to standardised approach				
Interest rate risk	59,446	11,312	743,077	141,404
Equity position risk	11,498	41,006	143,724	512,578
Foreign exchange risk	10,338	6,675	129,221	83,441
Operational risk	2,440,497	2,227,088	30,506,215	27,838,597
TOTAL	(b) 24,333,531	20,853,543	249,639,748	214,250,634
Capital adequacy ratio				
Total eligible regulatory capital held	(a) 26,291,318	26,700,764		
Total risk weighted assets	(b) 249,639,748	214,250,634		
Capital Adequacy ratio	[a / b * 100] 10.53%	12.46%		

40.3 Types of exposures and ECAIs used

Exposures	JCR-VIS	PACRA	S&P	Moody's & 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 ECAIs 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	2010			2009		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	4,806,361	-	4,806,361	3,311,764	-	3,311,764
PSEs	1	11,071,537	6,386,568	4,684,969	10,462,180	5,969,627	4,492,553
Banks	1,2,3	9,832,919	2,861,256	6,971,663	5,918,641	1,984,180	3,934,461
Banks	4,5	-	-	-	685,284	-	685,284
Banks - FCY claims less than three months	1,2,3	11,504,104	144	11,503,960	11,281,363	-	11,281,363
	4,5	4,378	-	4,378	693,778	-	693,778
Banks - PKR claims less than three months		2,933,992	1,352,121	1,581,871	15,853,480	10,062,431	5,791,049
Corporates	1	13,880,493	310,696	13,569,797	12,503,165	207,645	12,295,520
Corporates	2	3,873,453	46,467	3,826,986	12,397,952	496,010	11,901,942
Corporates	3,4	1,581,111	73,755	1,507,356	2,321,136	-	2,321,136
Corporates	5,6	2,190,488	-	2,190,488	-	-	-
Retail portfolio		47,832,300	6,488,588	41,343,712	47,093,278	5,145,975	41,947,303
Unrated		149,992,738	46,891,615	103,101,123	128,121,438	49,018,442	79,102,996
Total		259,503,874	64,411,210	195,092,664	250,643,459	72,884,310	177,759,149

*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 organisational 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.
- An independent risk review function exists at the Bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- The Bank has extensively pursued the implementation of Basel II in the Bank. In order to meet the requirement, many steps have been taken by the Bank. Progress has been made in implementation of Risk based Pricing & Approval Grids in the Bank. Moreover, in order to enhance data integrity and the reliability regarding MCR (Minimum Capital Requirement) calculation, automation of CAR (Capital Adequacy Ratio) calculation is in process and is functional in significant branches of the Bank. Moreover, for Pillar 2 disclosures ICAAP exercise is conducted.
- As a policy the reporting line of the risk management function has been kept completely independent of the businesses divisions and Credit Group.
- 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 1, 2008 with the standardised 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.

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. Credit Risk Management Committee has been set up to ensure implementation of the credit risk policy / strategy / credit plan approved by the Board and to monitor credit risk on a bank-wide basis and ensure compliance with limits approved by the Bank.

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 emphasising prudence in lending activities and ensuring the high quality of asset portfolio. As part of 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 terms 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 is continuously reviewed for best results in line 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 strategising and decision making. The System now also has the capability to auto generate alerts on accounts showing weakness in financials and hence requiring a more vigilant monitoring.

The Bank has also developed Facility Rating System in line with SBP's guidelines. The implementation on System, which will generate ratings of transactions and provide estimated LGD (Loss Given Default), will take place in due course.

The adherence to Risk-appetite statement approved by the Board is monitored by RMD. Further the compliance of regulatory & internal limits is also monitored and any deviations are ratified from the competent authorities.

Credit Monitoring Division (CMD) keeps a watch on the quality of the credit portfolio in terms of its strengths, weaknesses and vulnerabilities, and identifies weakening accounts relationships and reports it to the appropriate authority with a view to not only arrest deterioration but also to pre-empt any regulatory classification. CMD maintains a Watchlist of such accounts which is generated on quarterly basis and is also reviewed by RMD.

A Centralized Credit Administration Division under Operations Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Special attention is paid by the management in respect of non-performing loans. Special Asset Management (SAM) Department 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.

Proactive credit-risk management practices in the form Integrated Bank-wide Risk Management and Internal Control Framework, adherence to Basel II accord, constitute the important risk management measures the bank is engaged in for mitigating these 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 Standardised 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 Standardised 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 number 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 Standardised 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 authorisation 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 recognised 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 recognises 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 borrower 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

	2010					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	16,454,247	7.53%	3,180,283	0.90%	69,991	0.06%
Automobile & Transportation						
Equipment	2,975,509	1.36%	4,296,670	1.21%	1,846,676	1.70%
Chemical and Pharmaceuticals	5,099,313	2.33%	2,244,788	0.63%	3,283,508	3.01%
Cement	2,454,226	1.12%	373,246	0.11%	1,102,540	1.01%
Communication	2,991,723	1.37%	7,464,647	2.11%	1,336,990	1.22%
Electronics and Electrical						
Appliances	4,554,791	2.09%	1,860,589	0.53%	1,003,533	0.92%
Educational Institutes	1,511,752	0.69%	6,487,431	1.83%	33,093	0.03%
Financial	2,388,877	1.09%	24,582,507	6.94%	34,940,595	31.98%
Fertilizers	6,932,795	3.17%	10,349,254	2.92%	1,507,492	1.38%
Food & Allied Products	4,827,450	2.21%	2,212,344	0.62%	627,595	0.57%
Glass & Ceramics	201,350	0.09%	350,518	0.10%	154,322	0.14%
Ghee & Edible Oil	2,750,553	1.26%	1,321,132	0.37%	1,682,206	1.54%
Housing Societies / Trusts	2,230,099	1.02%	12,057,797	3.41%	2,453	0.00%
Insurance	7,831	0.00%	872,052	0.25%	-	0.00%
Import & Export	3,042,738	1.39%	3,904,795	1.10%	1,326,376	1.21%
Iron / Steel	6,365,100	2.91%	4,306,956	1.22%	3,423,507	3.13%
Oil & Gas	13,230,267	6.07%	24,761,935	6.99%	10,017,075	9.17%
Paper & Board	1,614,022	0.74%	1,581,454	0.45%	538,878	0.49%
Production and Transmission						
of Energy	20,496,914	9.39%	11,224,313	3.17%	13,688,264	12.53%
Real Estate / Construction	4,095,145	1.87%	8,038,537	2.27%	3,855,817	3.53%
Retail / Wholesale Trade	7,434,706	3.40%	16,123,084	4.55%	1,911,138	1.75%
Rice Processing and						
Trading/ Wheat	7,252,514	3.32%	2,472,043	0.70%	62,384	0.06%
Sugar	2,395,957	1.10%	1,298,355	0.37%	766,615	0.70%
Shoes and Leather garments	947,684	0.43%	586,901	0.17%	163,145	0.15%
Sports Goods	352,498	0.16%	450,645	0.13%	44,878	0.04%
Surgical Goods	148,596	0.07%	691,770	0.20%	82,469	0.08%
Textile Spinning	16,634,526	7.62%	947,711	0.27%	750,581	0.69%
Textile Weaving	2,764,213	1.27%	1,826,023	0.52%	791,021	0.72%
Textile Composite	15,385,267	7.04%	2,374,013	0.67%	1,669,632	1.53%
Welfare Institutions	155,426	0.07%	6,384,523	1.80%	650	0.00%
Individuals	31,598,029	14.47%	108,984,636	30.79%	5,047,158	4.62%
Others	29,137,735	13.35%	80,404,359	22.70%	17,514,064	16.04%
	218,431,853	100.00%	354,015,311	100.00%	109,244,646	100.00%

	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	1.23%
Educational Institutes	1,024,340	0.52%	5,573,338	1.72%	148,482	0.17%
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	0.32%
Textile Composite	12,848,017	6.51%	1,210,564	0.37%	1,926,650	2.05%
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%
	197,403,168	100.00%	324,759,752	100.00%	94,319,407	100.00%

* 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

	2010					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	32,294,071	15%	48,840,410	14%	19,902,281	18%
Private	186,137,782	85%	305,174,901	86%	89,342,365	82%
	218,431,853	100%	354,015,311	100%	109,244,646	100%

	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%
	197,403,168	100%	324,759,752	100%	94,319,407	100%

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, forestry, hunting and fishing	505,944	151,541	426,248	90,436
Textile	2,122,295	1,499,801	2,620,181	1,762,715
Chemical and pharmaceuticals	150,496	88,372	59,815	47,215
Cement	-	-	1,404	-
Automobile and transportation equipment	193,169	71,549	73,402	28,642
Wholesale and retail trade	615,852	225,151	795,499	271,948
Individuals	3,997,042	2,914,175	3,490,595	2,408,363
Others	10,735,224	5,679,090	8,718,572	3,988,345
	18,320,022	10,629,679	16,185,716	8,597,664

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	18,320,022	10,629,679	16,185,716	8,597,664
	18,320,022	10,629,679	16,185,716	8,597,664

41.1.4.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	-----Rupees in '000-----			
Pakistan	933,363	374,426,382	18,497,642	103,240,280
Asia Pacific (including South Asia)	369,690	31,506,569	3,665,974	6,004,366
Middle East	65,692	5,550,888	141,928	-
	1,368,745	411,483,839	22,305,544	109,244,646

	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	-
	1,016,316	389,070,055	22,133,420	94,319,407

* 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 Standardised Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Currently, the Bank calculates 'Value at Risk (VaR)' on a daily basis by using 'Historical Method' taking into consideration the data of over 2 years. Moreover, the 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:

	2010			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
-----Rupees in '000-----				
Pakistan Rupee	354,276,746	316,054,579	(16,045,632)	22,176,535
United States Dollar	37,562,549	47,700,243	10,137,750	56
Great Britain Pound	1,544,285	5,150,246	3,642,294	36,333
Japanese Yen	13,500	7,985	-	5,515
Euro	2,462,767	4,732,772	2,291,887	21,882
Other currencies	15,623,992	15,532,470	(26,299)	65,223
Total foreign currency exposure	57,207,093	73,123,716	16,045,632	129,009
Total currency exposure	411,483,839	389,178,295	-	22,305,544

	2009			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
-----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

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

2010

	Effective Yield/Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.61%	7,941,803	1,456,097	1,332,685	680,946	-	-	-	-	-	-	33,256,038
Balances with other banks	0.63%	4,616,061	1,096,383	428,184	-	-	-	-	-	-	-	8,093,466
Lendings to financial institutions	7.09%	6,497,556	4,964,519	29,698,460	10,899,908	1,298,409	8,470	3,155,523	7,014,398	-	-	-
Investments	11.29%	113,425,861	6,675,361	30,614,430	63,720,224	11,511,327	6,904,273	10,750,571	7,740,519	12,667,479	-	3,021,358
Advances	12.75%	207,152,546	30,256,278	32,987,259	-	-	-	-	-	-	-	-
Other assets	-	12,121,527	-	-	-	-	-	-	-	-	-	12,121,527
		396,574,586	54,454,025	83,082,123	75,301,078	12,809,736	8,659,971	13,906,280	14,754,917	12,667,479	-	56,492,389
Liabilities												
Bills payable	-	4,521,533	-	-	-	-	-	-	-	-	-	4,521,533
Borrowings	8.34%	13,700,124	3,899,564	9,150,442	122,430,521	961,846	1,336,464	58,780	650,118	-	-	-
Deposits and other accounts	5.87%	354,015,311	53,536,461	26,947,772	416,879	1,273,943	882,876	4,000	4,988,000	619	-	124,587,257
Sub-ordinated loans	14.65%	7,567,192	-	1,494	-	-	-	-	-	-	-	-
Other liabilities	-	8,941,234	53,536,461	36,116,708	122,847,400	2,255,789	2,219,340	62,780	5,638,737	-	-	8,941,234
		388,745,394	28,038,155	53,536,461	122,847,400	2,255,789	2,219,340	62,780	5,638,737	-	-	138,030,024
On-balance sheet gap												
		7,829,192	26,415,870	29,545,662	28,329,880	(47,546,322)	10,573,947	6,440,631	13,843,500	9,116,180	12,667,479	(81,557,635)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase												
		13,161,813	9,265,804	7,825,022	2,419,499	35,476	-	-	-	-	-	-
Forward exchange contracts - sale												
		20,936,061	4,849,724	5,779,865	19,940	-	-	-	-	-	-	-
Repo transactions resale												
		1,726,402	-	-	-	-	-	-	-	-	-	-
Repo transactions repurchase												
		1,812,780	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap												
		11,685,175	3,588,903	4,416,080	2,045,157	1,599,559	35,476	-	-	-	-	-
Total yield/interest risk sensitivity gap		30,004,773	33,961,742	30,375,037	(45,946,763)	10,609,423	6,440,631	13,843,500	9,116,180	12,667,479	-	-
Cumulative yield/interest risk sensitivity gap		30,004,773	63,966,515	94,341,552	48,394,789	59,004,212	65,444,843	79,288,343	88,404,523	101,072,002	-	-

2009

	Effective Yield/Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	2.21%	7,370,861	2,212,878	3,705,778	446,484	-	-	-	-	-	-	27,685,151
Balances with other banks	2.74%	9,455,688	2,667,524	8,780	-	-	-	-	-	-	-	6,902,011
Lendings to financial institutions	10.41%	12,270,921	2,667,524	8,780	21,604,516	2,768,782	2,005,739	2,633,800	5,347,955	-	-	4,886,413
Investments	11.08%	99,139,557	36,126,465	21,498,460	61,676,415	11,261,343	8,036,120	16,840,165	4,906,557	12,395,513	-	-
Advances	13.67%	186,042,938	25,792,919	21,030,142	26,083,264	61,676,415	11,261,343	8,036,120	16,840,165	4,906,557	-	-
Other assets	-	12,305,381	-	-	-	-	-	-	-	-	-	12,305,381
		372,234,462	57,178,016	62,037,219	83,727,415	14,030,125	10,061,859	19,473,965	10,254,512	12,395,513	-	51,779,556
Liabilities												
Bills payable	-	3,766,144	-	-	-	-	-	-	-	-	-	3,766,144
Borrowings	9.01%	10,818,537	479,087	8,652,611	121,545,741	1,583,546	2,753,890	15,669,212	546,380	-	-	157,306
Deposits and other accounts	7.38%	324,739,532	46,052,902	29,317,378	7,570,181	-	-	-	-	-	-	93,415,109
Sub-ordinated loans	17.84%	7,570,181	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	5,788,395	40,753,031	46,531,989	45,540,170	121,545,741	1,583,546	2,753,890	15,669,212	546,380	-	5,788,395
		362,538,393	40,753,031	46,531,989	45,540,170	121,545,741	1,583,546	2,753,890	15,669,212	546,380	-	103,126,954
On-balance sheet gap												
		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)
Off-balance sheet financial instruments												
Forward exchange contracts - purchase												
		13,795,751	5,673,475	-	49,067	-	-	-	-	-	-	-
Forward exchange contracts - sale												
		10,528,925	6,884,741	1,819,007	-	-	-	-	-	-	-	-
Repo transactions resale												
		11,370,276	9,995,621	1,374,555	-	-	-	-	-	-	-	-
Repo transactions repurchase												
		9,539,831	35,058	4,009,373	2,244,124	-	-	-	-	-	-	-
Off-balance sheet gap												
		10,819,913	16,871,573	1,991,777	(5,838,380)	(2,215,057)	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		33,296,558	17,497,007	(72,268)	(40,033,383)	12,446,579	7,307,969	19,317,273	9,708,132	12,395,513	-	-
Cumulative yield/interest risk sensitivity gap		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	-	-

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

2010

	Rupees in '000								
	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
Assets									
Cash and balances with treasury banks	11,327,634	-	-	680,946	-	-	-	-	29,870,207
Balances with other banks	12,709,527	1,456,097	1,332,685	-	-	-	-	-	-
Lending to financial institutions	4,964,519	1,096,383	428,184	-	-	-	-	-	-
Investments	4,292,243	21,342,666	16,917,880	13,399,908	9,552,392	8,470	16,448,007	9,746,559	1,706,600
Advances	30,256,278	30,614,430	32,987,259	63,720,224	11,511,327	6,904,273	10,750,757	7,740,519	12,667,479
Fixed assets	14,204,555	103,931	311,796	207,863	1,247,176	1,247,176	2,309,752	1,619,620	6,533,653
Other assets	12,826,225	11,187,386	154,582	558,603	138,756	138,756	208,134	208,134	-
	411,483,839	74,841,518	52,209,678	78,983,269	22,449,651	28,318,281	29,716,650	19,314,832	50,777,939
Liabilities									
Bills payable	4,521,533	-	-	-	-	-	-	-	-
Borrowings	13,700,124	-	9,150,442	-	48,006,946	-	-	650,118	-
Deposits and other accounts	354,015,311	55,643,856	29,072,167	37,949,070	1,273,943	93,226,447	33,498,635	17,913,478	-
Sub-ordinated loans	7,567,192	-	1,494	416,879	-	882,876	4,000	4,988,000	-
Deferred tax liabilities	115,919	-	-	-	-	-	115,919	-	-
Other liabilities	9,258,216	97,402	507,680	668,848	1,101,966	1,101,966	1,101,966	163,254	-
	389,178,295	55,741,258	38,731,783	39,034,797	50,382,855	95,211,289	34,720,520	23,714,850	-
Net assets	23,200,575	(869,237)	13,477,895	39,948,472	(27,933,204)	(66,893,008)	(5,003,870)	(4,400,018)	50,777,939
Share capital	13,491,563								
Reserves	3,819,133								
Unappropriated profit	2,415,860								
Surplus on revaluation of assets - net of tax	2,578,988								
	22,305,544								

2009

	Rupees in '000								
	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
Assets									
Cash and balances with treasury banks	15,050,500	-	-	446,484	-	-	-	-	20,005,512
Balances with other banks	19,848,461	2,212,878	214,816	-	-	-	-	-	-
Lending to financial institutions	12,270,921	2,667,734	8,780	-	-	-	-	-	-
Investments	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	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
Fixed assets	178,000	356,001	534,002	1,068,003	2,000,766	847,082	1,122,845	947,238	7,438,257
Other assets	12,707,125	168,278	252,415	758,888	152,535	152,535	228,802	228,802	-
	86,462,959	40,223,771	43,074,873	85,569,071	20,478,534	17,521,133	41,746,206	12,429,967	41,561,541
Liabilities									
Bills payable	3,766,144	-	-	-	-	-	-	-	-
Borrowings	20,653,921	479,087	8,652,611	-	40,352,399	77,310,006	27,559,512	546,380	-
Deposits and other accounts	324,759,752	47,965,839	31,230,314	42,892,181	418,499	1,273,381	884,876	16,259,959	-
Sub-ordinated loans	7,570,181	-	1,494	1,494	-	1,798,511	179,851	4,990,000	-
Deferred tax liabilities	179,851	-	-	-	-	-	-	-	-
Other liabilities	10,006,786	5,427,938	467,784	633,330	1,075,529	1,075,529	1,075,529	159,338	-
	366,936,635	61,358,867	40,352,203	43,527,005	41,846,427	79,659,953	29,697,768	21,955,677	-
Net assets	22,133,420	(8,312,964)	2,722,670	42,042,066	(21,367,893)	(62,138,820)	12,048,438	(9,525,710)	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								

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

	2010								
	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
Assets									
Cash and balances with treasury banks	11,327,634	1,456,097	1,332,685	680,946	-	-	-	-	29,870,207
Balances with other banks	12,709,527	1,096,383	428,184	-	-	-	-	-	-
Lendings to financial institutions	4,964,519	21,342,666	16,917,880	13,399,908	9,552,392	8,470	16,448,007	9,746,559	1,706,600
Investments	4,292,243	30,614,430	32,987,259	63,720,224	11,511,327	20,019,006	10,750,575	7,740,519	12,667,479
Advances	207,152,546	30,614,430	311,796	623,588	1,247,176	1,247,176	2,309,752	1,619,620	6,533,653
Fixed assets	14,204,555	103,931	207,863	558,603	138,756	138,756	208,134	208,134	-
Other assets	12,826,225	11,187,386	231,874	78,983,269	22,449,651	28,318,281	29,716,650	19,314,832	50,777,939
Liabilities									
Bills payable	411,483,839	74,841,518	54,872,021	-	-	-	-	-	-
Borrowings	4,521,533	-	9,150,442	-	-	-	-	650,118	-
Deposits and other accounts	13,700,124	3,899,564	26,964,772	17,549,657	1,939,629	3,536,477	792,118	619	-
Sub-ordinated loans	354,015,311	249,695,578	53,536,461	416,879	1,273,943	882,876	4,000	4,988,000	-
Deferred tax liabilities	7,567,192	-	1,494	-	-	-	115,919	-	-
Other liabilities	115,919	-	-	668,848	1,101,966	1,101,966	1,101,966	163,254	-
	9,258,216	4,515,134	507,680	18,635,384	4,315,538	5,521,319	2,014,003	5,801,991	-
	389,178,295	262,631,809	36,624,388	18,635,384	18,134,113	22,796,962	27,702,647	13,512,841	-
Net assets	22,305,544	(187,790,291)	15,585,290	60,347,885	18,134,113	22,796,962	27,702,647	13,512,841	50,777,939
Share capital	13,491,563								
Reserves	3,819,133								
Unappropriated profit	2,415,860								
Surplus on revaluation of assets - net of tax	2,578,988								
22,305,544									

2009

	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
Assets									
Cash and balances with treasury banks	15,050,500	2,212,878	214,816	446,484	-	-	-	-	20,005,512
Balances with other banks	19,848,461	2,667,734	8,780	-	-	-	-	-	-
Lendings to financial institutions	12,270,921	13,788,738	15,981,596	21,619,281	7,063,890	8,465,396	23,556,394	6,347,370	1,722,259
Investments	14,947,435	21,030,142	26,083,264	61,676,415	11,261,343	8,056,120	16,840,165	4,906,557	12,395,513
Advances	99,159,957	356,001	534,002	1,068,003	2,000,766	847,082	1,122,845	947,238	7,438,257
Fixed assets	188,042,438	168,278	252,415	738,888	152,535	152,535	228,802	228,802	-
Other assets	14,492,194	12,707,125	43,074,873	85,569,071	20,478,534	17,521,133	41,748,206	12,429,967	41,561,541
Liabilities									
Bills payable	389,070,055	86,462,959	40,223,771	-	-	-	-	-	-
Borrowings	3,766,144	479,087	8,652,611	-	-	-	-	546,380	-
Deposits and other accounts	20,653,921	46,052,802	34,070,578	25,898,925	1,583,546	2,753,890	156,692	-	-
Sub-ordinated loans	324,759,752	214,243,219	1,494	1,494	418,499	1,273,818	884,876	4,990,000	-
Deferred tax liabilities	7,570,181	-	-	-	-	-	179,851	-	-
Other liabilities	179,851	91,809	467,784	633,330	1,075,529	1,075,529	1,075,529	159,338	-
	10,006,786	234,413,144	43,192,467	265,337,449	3,077,574	5,103,237	2,296,948	5,695,718	-
	366,936,635	(147,950,185)	(117,594)	59,035,322	17,400,960	12,417,896	39,451,258	6,734,249	41,561,541
Net assets	22,133,420	(147,950,185)	(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									

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 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 Standardised 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 organisational 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 organisation.

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 organisation and reported to Operational Risk Management Department, are aggregated to an internally developed 'Operational Loss Database'.

As required by Basel II, Bank has categorised 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 03, 2011 has not declared any cash or stock dividend (2009: 8% cash dividend).

43 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 03, 2011 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. There were no significant reclassifications during the year.

Chief Executive Officer

Director

Director

Chairman

[Annexure - I]

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2010

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, 2010				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total (5+6+7)				
1		3	4	5	6	7	8	9	10	11	12
1	Rana Brother Transport Co. Amat Filling Coach, Bahawalnagar	Rana Jamshaid Iqbal CNIC # 31101-4786961-1	Muhammad Iqbal	2,154	578	463	3,195	918	578	499	1,995
2	Sehar Coaches, General Bus Stand, Bahawalpur	Zulfiqar Ahmad CNIC # 35201-1541591-1	Muhammad Sadique	2,229	678	869	3,776	1,429	678	869	2,976
3	Anjad Shinwari Ent. Plot # L-453 Shereen Jinnah Colony #2 Clifton Karachi	Mr. Sabet Shah CNIC # 42301-5408381-7	Ziarat Shah	6,133	-	-	6,133	1,058	960	-	2,018
4	Seven star Transport Com Shop # 9 Rehman Service Station Sheereen Jinnah Colony Clifton, Karachi	M. Hanif CNIC # 54303-2031642-5	Haji Safar Mohammad	6,842	863	-	7,705	2,642	1,458	77	4,177
5	Venus Distributors (Pvt) Limited 28, Trans Layari, Hawksbay Road Maripur Karachi	Adnan Asad CNIC # 517-53-060996	Asad Jan Hamid	1,443	462	-	1,905	1,443	462	-	1,905
6	Airport Limousine Services A. S. F Head Quarter Road, Behind Shell Pump off. Shahrah-e-Faisal Near C.A.A, M.T, Karachi.	Muhammad Saleem CNIC # 13503-6907712-9	Malik Duray Rehman	4,756	-	2,158	6,914	1,256	-	2,158	3,414
			Total	23,557	2,581	3,490	29,628	8,746	4,136	3,603	16,485

Annexure - II

Islamic Banking Business

The bank is operating 80 Islamic banking branches as at December 31, 2010 (December 31, 2009: 60 branches).

	2010	2009
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6,557,813	4,939,841
Balances with and due from financial institutions	3,863,809	7,522,132
Lendings to financial institutions	-	-
Investments - net	22,030,393	10,168,389
Advances - net	25,957,935	16,920,995
Fixed assets	1,638,634	1,552,921
Other assets	5,159,502	5,073,049
	65,208,086	46,177,327
LIABILITIES		
Bills payable	495,152	331,796
Borrowings	1,365,090	688,107
Deposits and other accounts	55,393,390	38,464,724
Sub-ordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,376	1,228
Other liabilities	3,135,883	2,845,219
	60,390,891	42,331,074
NET ASSETS	4,817,195	3,846,253
REPRESENTED BY		
Islamic Banking Fund	1,800,000	1,800,000
Exchange Equalisation Reserve	12,050	8,559
Unappropriated / Unremitted profit	2,247,807	1,277,579
	4,059,857	3,086,138
Surplus on revaluation of assets - net of tax	757,338	760,115
	4,817,195	3,846,253
Remuneration to Shariah Advisor / Board	1,500	1,500
CHARITY FUND		
Opening balance	10,808	37,575
Additions during the year	50,181	46,852
Payments / Utilization during the year	35,878	73,619
Closing balance	25,111	10,808

Annexure - II

Islamic Banking Business

The bank is operating 80 Islamic banking branches as at December 31, 2010 (December 31, 2009: 60 branches).

	2010	2009
	(Rupees in '000)	
Mark-up / return earned	4,896,987	3,373,900
Mark-up / return expensed	2,421,001	1,829,562
Net mark-up / return income	2,475,986	1,544,338
Depreciation on assets given on lease	468,483	64,515
Net mark-up / return income after depreciation	2,007,503	1,479,823
Provisions against loans and advances - net	29,664	(47,204)
Provision for diminution in value of investments - net	-	74,899
Bad debts written off directly	5,281	4,990
	34,945	32,685
Net mark-up / return income after provisions	1,972,558	1,447,138
NON MARK-UP INCOME		
Fee, commission and brokerage income	110,417	76,064
Dividend income	42,913	31,013
Income from dealing in foreign currencies	42,479	32,942
Gain on sale of securities - net	-	27,833
Unrealised gain on revaluation of investments classified as held for trading	-	-
Other income	236,348	127,304
Total non mark-up income	432,157	295,156
	2,404,715	1,742,294
NON MARK-UP EXPENSES		
Administrative expenses	1,432,771	1,037,545
Other charges	1,991	3,201
Total non mark-up expenses	1,434,762	1,040,746
PROFIT BEFORE TAXATION	969,953	701,548
Unappropriated profit brought forward	1,277,579	575,961
Transferred from surplus on revaluation of fixed assets - net of tax	275	70
Profit available for appropriation / unremitted profit	2,247,807	1,277,579

[Shariah Advisor's Report]

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

I have reviewed the principles and procedures applied by Bank Alfalah Islamic Banking Group while executing contracts relating to transactions entered into during the year ended, December 31st 2010, to enable me to express an opinion as to whether or not the bank complied with Shari'a rules, religious opinions, specific resolutions and guidelines issued by Shariah Advisor and State Bank of Pakistan.

My review which includes the examination of documentation and procedures applied by the bank is based on sample testing of each type of operation.

In my opinion, the activities and transactions performed by Bank Alfalah Islamic Banking Group during the year 2010, as a whole, are in compliance with the principles and guidelines of Shariah.

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

As a result of our examination, income of PKR. 2.856 million has been transferred to the Charity Account, rendering Bank Alfalah Ltd - Islamic Banking Group's remaining income to be pure and Halal. An amount of PKR. 0.29 million was also refunded to Customers in instances where Bank was declared ineligible to earn profit.

During the year an amount of PKR 50.20 million has been transferred to the Charity Account due to late payments from the customers and an amount of PKR 35.878 million was disbursed to the charitable avenues.

A Major improvement is the establishment of Internal Shariah Audit department under supervision of Internal Audit Group to ensure audit of branches with reference to Shariah Compliance.

In my opinion there are certain areas which require further improvement and attention of the management.

1. The Bank has inducted a concentrated training calendar for Islamic Banking, however, to ensure that its optimum benefits are gathered, it is necessary that on one hand the program should be reviewed and upgraded regularly to keep it in line with the changes occurring in Islamic Banking industry both domestically and internationally and on the other hand, it must be made mandatory for all the staff in Islamic Banking Group to attend these courses.
2. Bank should also initiate customer awareness programmes 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 Shirkah and Modarabah, which are the nucleus of the Islamic Banking in their true spirit .
4. Conventional insurance was initially allowed in the absence of its Islamic alternate. i.e. Takaful. Alhamdollilah, since sufficient numbers of 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.
5. Although, Alfalah Islamic Banking is a Division of Bank Alfalah Limited, but the employees working in this segment feel, act and behave as if they are working in an Islamic Financial Institution. Therefore, it is necessary that like other transactional matters, their employment contracts and retirement benefits should also be reviewed and brought in line with the Shariah rulings available in the matter.

May Allah bless and guide us as He has done since the inception of Bank Alfalah Islamic Banking Group to accomplish these cherished tasks and made us successful here and hereafter. Aameen.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

DR.KHALIL AHMAD AAZAMI
SHARIAH ADVISOR
BANK ALFALAH - ISLAMIC BANKING

DATED: February 09, 2011

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 statement of financial position of Bank Alfalah Limited and its subsidiary company, Alfalah Securities (Private) Limited as at December 31, 2010 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 thirty one branches, which have been audited by us and seven branches and one offshore banking unit 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 the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of Bank Alfalah Limited and its subsidiary company as at December 31, 2010 and the results of their operations, their comprehensive income, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: March 06, 2011

Karachi

Consolidated Statement of Financial Position

As at December 31, 2010

	Note	2010	2009
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	41,197,841	35,056,025
Balances with other banks	7	16,180,533	22,722,927
Lendings to financial institutions	8	6,497,556	14,947,435
Investments - net	9	113,622,561	99,279,438
Advances - net	10	207,152,054	188,021,492
Fixed assets	11	14,251,595	14,552,454
Deferred tax assets		-	-
Other assets	12	12,901,742	14,714,496
		411,803,882	389,294,267
LIABILITIES			
Bills payable	13	4,521,533	3,766,144
Borrowings	14	13,700,124	20,653,921
Deposits and other accounts	15	354,010,690	324,743,389
Sub-ordinated loans	16	7,567,192	7,570,181
Liabilities against assets subject to finance lease	17	5,910	12,358
Deferred tax liabilities - net	18	993,325	774,246
Other liabilities	19	9,357,097	10,091,833
		390,155,871	367,612,072
NET ASSETS		21,648,011	21,682,195
REPRESENTED BY			
Share capital	20	13,491,563	13,491,563
Reserves		3,819,133	3,587,969
Share in share premium of associate		1,968,435	1,615,473
Accumulated losses		(72,693)	(23,926)
		19,206,438	18,671,079
Non-controlling interest		(27,570)	-
		19,178,868	18,671,079
Surplus on revaluation of assets - net of tax	21	2,469,143	3,011,116
		21,648,011	21,682,195

CONTINGENCIES AND COMMITMENTS

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, 2010

	Note	2010	2009
(Rupees in '000)			
Mark-up / return / interest earned	24	37,530,398	35,554,930
Mark-up / return / interest expensed	25	23,854,578	24,709,878
Net mark-up / interest income		13,675,820	10,845,052
Provision against loans and advances - net	10.5	2,214,527	3,114,488
Provision for diminution in value of investments	9.20	171,815	277,607
Bad debts written off directly	10.6	25,504	59,817
		2,411,846	3,451,912
Net mark-up / interest income after provisions		11,263,974	7,393,140
Non mark-up / interest income			
Fee, commission and brokerage income		2,036,500	1,976,011
Dividend income		149,840	207,197
Income from dealing in foreign currencies		1,133,544	1,019,732
Gain on deemed disposal of associate		209,526	-
Gain on sale of securities - net	26	67,169	690,558
Unrealised gain on revaluation of investments classified as held for trading - net	9.22	3,300	1,934
Other income	27	1,303,847	1,306,801
Total non mark-up / interest income		4,903,726	5,202,233
		16,167,700	12,595,373
Non mark-up / interest expenses			
Administrative expenses	28	12,658,021	11,009,954
Provision / (Reversal of provision) against off-balance sheet obligations	19.2	6,056	(1,419)
Provision against other assets	12.2	94,916	258,484
Other charges	29	76,665	79,454
Total non mark-up / interest expenses		12,835,658	11,346,473
		3,332,042	1,248,900
Share of loss of associates		(1,266,932)	(811,236)
Extra ordinary / unusual items		-	-
Profit before taxation		2,065,110	437,664
Taxation	30		
- Current		845,155	1,071,160
- Deferred		276,763	(537,401)
- Prior years		(71,056)	(179,674)
Share of tax of associates		(152,735)	181,483
		898,127	535,568
Profit / (loss) after taxation		1,166,983	(97,904)
Profit / (loss) attributable to:			
Equity holders of the parent		1,194,553	(97,904)
Non-controlling interest		(27,570)	-
		1,166,983	(97,904)
			(Rupees)
Basic / Diluted earnings per share	31	0.89	(0.08)

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, 2010]

	2010	2009
	(Rupees in '000)	
Profit / (loss) after taxation	1,166,983	(97,904)
Other comprehensive income		
Exchange differences on translation of net investment in foreign branches	37,474	242,506
Comprehensive income - transferred to statement of changes in equity	1,204,457	144,602
Components of comprehensive income not reflected in equity		
(Deficit) / Surplus on revaluation of available for sale securities - net of tax	(518,107)	390,891
Total comprehensive income	686,350	535,493
Total comprehensive income attributable to:		
Equity holders of the parent	713,920	535,493
Non-controlling interest	(27,570)	-
	686,350	535,493

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, 2010

	Note	2010	2009
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,065,110	437,664
Share of loss of associates		1,266,932	811,236
Less: Dividend income		(149,840)	(207,197)
		3,182,202	1,041,703
Adjustments			
Depreciation	28	1,631,032	1,479,818
Amortisation	28	173,833	66,207
Provision against loans and advances - net	10.5	2,214,527	3,114,488
Provision for diminution in value of investments	9.20	171,815	277,607
Provision / (Reversal of provision) against off-balance sheet obligations	19.2	6,056	(1,419)
Gain on deemed disposal of associate		(209,526)	-
Provision against other assets	12.2	94,916	258,484
Unrealised gain on revaluation of investments classified as held for trading - net	9.22	(3,300)	(1,934)
Bad debts written-off directly	10.6	25,504	59,817
Gain on sale of fixed assets - net	27	(25,202)	(43,601)
Charge for defined benefit plan	28	145,379	189,352
		4,225,034	5,398,819
		7,407,236	6,440,522
(Increase) / decrease in operating assets			
Lendings to financial institutions		9,513,386	(11,237,039)
Held for trading securities		(778,435)	(243,102)
Advances		(21,370,593)	376,539
Other assets (excluding tax recoverable and dividend receivable)		1,616,007	(4,350,743)
		(11,019,635)	(15,454,345)
Increase / (decrease) in operating liabilities			
Bills payable		755,389	314,113
Borrowings		(6,953,797)	6,582,674
Deposits and other accounts		29,267,301	24,013,625
Other liabilities		(740,792)	(196,970)
		22,328,101	30,713,442
		18,715,702	21,699,619
Gratuity paid		(145,379)	(189,352)
Income tax paid		(469,047)	(1,562,564)
Net cash generated from operating activities		18,101,276	19,947,703
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(16,119,992)	(16,255,052)
Net investments in held to maturity securities		816,817	(7,487,002)
Investment in associated companies		210,000	-
Dividend income received - associated companies		37,628	41,021
Dividend income received - other than associated companies		154,659	212,548
Investments in fixed assets		(1,533,703)	(1,904,295)
Proceeds from sale of fixed assets		47,532	113,064
Net cash used in investing activities		(16,387,059)	(25,279,716)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of sub-ordinated loans		-	5,000,000
Redemption of sub-ordinated loans		(2,989)	(988)
Issuance of right shares		-	3,997,500
Dividend paid		(1,079,325)	-
Payment against lease obligation		(6,448)	(5,101)
Net cash (used in) / generated from financing activities		(1,088,762)	8,991,411
Exchange difference on translation of the net investments in foreign branches		37,474	242,506
		662,929	3,901,904
Increase in cash and cash equivalents		662,929	3,901,904
Cash and cash equivalents at the beginning of the year		61,489,348	57,587,444
Cash and cash equivalents at the end of the year	32	62,152,277	61,489,348

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, 2010

	Share capital	Statutory reserve (a)	Reserve for issue of bonus shares	Exchange translation reserve	Unappropriated profit (b)	Share in share premium of associate	Non-controlling interest	Total
----- (Rupees in '000) -----								
Balance at January 1, 2009	7,995,000	2,588,035	-	578,021	1,727,752	1,615,473	-	14,504,281
Changes in equity for 2009								
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)	-	-	-	-	-
Balance at December 31, 2009	13,491,563	2,767,442	-	820,527	(23,926)	1,615,473	-	18,671,079
Changes in equity for 2010								
Comprehensive income for the year ended December 31, 2010	-	-	-	37,474	1,166,983	-	-	1,204,457
Share in share premium of associate	-	-	-	-	-	352,962	-	352,962
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	29,695	-	-	29,695
Loss attributable to minority shareholders	-	-	-	-	27,570	-	(27,570)	-
Transfer to statutory reserve	-	193,690	-	-	(193,690)	-	-	-
Final cash dividend for the year ended December 31, 2009 @ 8%	-	-	-	-	(1,079,325)	-	-	(1,079,325)
Balance at December 31, 2010	13,491,563	2,961,132	-	858,001	(72,693)	1,968,435	(27,570)	19,178,868

(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. 2,244.780 million (2009: Rs. 1,562.488 million) as at December 31, 2010 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, 2010

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 1, 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 298 conventional banking branches including 18 sub branches (2009: 253 branches including 4 sub branches), 7 overseas branches (2009: 7 branches), 80 Islamic banking branches (2009: 60 branches) and 1 offshore banking unit (2009: 1 unit).

Subsidiary Company

- Alfalah Securities (Private) Limited - 76 percent holding

The Bank has invested in 76 percent (2009: 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:

	2010	2009
	Percentage of shareholding	
Warid Telecom (Private) Limited	8.24 percent	8.76 percent
Wateen Telecom Limited	13.52 percent	20 percent
Alfalah Insurance Company Limited	30 percent	30 percent
Alfalah GHP Value Fund	33.18 percent	28.05 percent
Alfalah GHP Income Multiplier Fund	96.38 percent	92.42 percent
Alfalah GHP Islamic Fund	96.11 percent	96.55 percent
Alfalah GHP Investment Management Limited	40.22 percent	40.22 percent

Warid Telecom (Private) Limited and Wateen Telecom Limited have been classified as associates due to significant influence exercised through the Bank's nominated Directors and these are also 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 utilised 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 consolidated 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.
- Non-controlling 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.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by SECP and 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 Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the 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 consolidated financial statements is based on the requirements laid down by SBP.

In addition, the 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 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 SECP.

3.2 Change in accounting policies and disclosures - standards that are effective in the current year

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 account. The standard also 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.

The Group has also accordingly changed its accounting policy to comply with the requirements of IAS 27 (revised). Previously losses applicable to minority interest (referred to as non-controlling interest) in Alfalah Securities (Private) Limited exceeded the non-controlling interest in the subsidiary's equity, therefore, the excess had been allocated to the equity holders of the parent entity (the Bank). Effective January 1, 2010, in accordance with revised IAS 27, the profit and loss and each component of other comprehensive income is attributable to the equity holders of the Bank and to the non-controlling interest even if this results in the non-controlling interest having as a deficit balance. In accordance with the transition provisions of the IAS, the Bank has applied IAS 27 (revised) prospectively to transactions with non-controlling interest from January 1, 2010 and has recognised deficit balance of non-controlling interest of Rs. 27.570 million. The IAS prohibits retrospective application, hence the adoption of this standard did not result in any restatement.

3.3 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- a) IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- b) IAS 7 (amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any significant impact on the Group's consolidated financial statements.
- c) IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment is not expected to have any impact on the Group's consolidated financial statements.
- d) IFRS 2 (amendment), 'Group cash-settled share-based payment transactions', (effective from January 1, 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- e) IFRS 3 (revised), "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. At present, the management believes that the aforementioned revision does not have any impact on the Group's consolidated financial statements.
- f) IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale' (effective on or after January 1, 2010). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- g) IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The management of the Group believes that presently this amendment does not have any impact on the Group's consolidated financial statements.
- h) IFRIC 18, 'Transfers of assets from customers' (effective 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 aforementioned interpretation does not have any impact on the Group's consolidated financial statements.

- i) There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 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.

3.4 Standards, Interpretations and amendments to published approved accounting standards as adopted in Pakistan that are not yet effective

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Group's accounting period beginning on or after January 1, 2011:

- a) IAS 1, Presentation of financial statements (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group is currently in the process of assessing the impact of the aforementioned amendment on the disclosure requirements.
- b) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.
- c) IFRIC 14 (amendments), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Bank is currently in the process of assessing the impact of the aforementioned amendment on the financial statements of the Bank.
- d) IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Group's consolidated financial statements.
- e) There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

3.5 Early adoption of standards

The Group did not early adopt new or amended standards in 2010.

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 consolidated 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. These policies have been consistently applied except as stated in note 3.2 to these consolidated financial statements.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of 3 months or less.

5.2 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreements

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

Purchase of securities under resale agreements

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

5.3 Investments

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 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 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 amortised cost.

Unquoted equity securities, excluding investment in 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 sukuk bonds) 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 and sukuk bonds 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 statement of financial position 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 the 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.

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 expenditures that are 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 consolidated 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.

Gains and losses on disposal of fixed assets are taken to the profit and loss account except that the related surplus / deficit 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 amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation 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 accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.7 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 recognised 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 recognised 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 recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for 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 recognised 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 realised.

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 recognised 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 recognised when the Group has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each 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 recognised 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 recognised 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 recognised on an accrual basis as and when the rental becomes due.

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 into Pakistani rupees at the exchange rates prevailing 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 amortised 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 consolidated 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 consolidated 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 consolidated 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 Group's primary format of reporting is based on business segments.

a) 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, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

b) Geographical segments

The Group operates in three geographical regions being:

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

	Note	2010	2009
(Rupees in '000)			
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2010: Rs. 18.273 million, 2009: Rs. 111.395 million)		6,469,590	5,129,059
Foreign currencies (including in transit 2010: Nil, 2009: Rs. 3.387 million)		1,981,549	1,776,454
With State Bank of Pakistan in			
Local currency current account	6.1	15,435,220	13,144,926
Foreign currency current account	6.2	2,167,050	1,993,089
Foreign currency deposit account	6.3	5,322,509	4,867,497
With other central banks in			
Foreign currency current account		4,326,134	3,637,025
Foreign currency deposit account	6.4	2,619,294	2,503,364
With National Bank of Pakistan in			
Local currency current account		2,850,697	1,984,180
National Prize Bonds		25,798	20,431
		41,197,841	35,056,025

- 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 December 3, 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 the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit accounts during the year.
- 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.

7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		1,012,764	768,349
On deposit account	7.1	157,784	3,480,067
Outside Pakistan			
On current account	7.2	7,081,980	6,133,950
On deposit account	7.3	7,928,005	12,340,561
		16,180,533	22,722,927

- 7.1 This represents funds deposited with various banks at a profit rate of 5.00% per annum (2009: 5.00% to 13.25% 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 0.20% to 2.75% per annum (2009: 0.12% to 1.62% per annum) with maturities upto August 2011 (2009: July 2010).

	Note	2010	2009
(Rupees in '000)			
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	4,782,374	3,710,396
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	1,715,182	11,237,039
		6,497,556	14,947,435

- 8.1 These represent lendings to financial institutions at interest rates upto 20% per annum (2009: 13.40% per annum) with maturities upto May 2013 (2009: February 2010).

8.2 Particulars of lendings to financial institutions

In local currency	1,828,182	12,293,039
In foreign currencies	4,669,374	2,654,396
	6,497,556	14,947,435

- 8.3 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 13.00% to 13.75% per annum (2009: 11.75% to 13.20% per annum) with maturities upto January 2011 (2009: February 2010).

8.4 Securities held as collateral against lendings to financial institutions

	2010			2009		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	1,354,455	-	1,354,455	10,151,518	-	10,151,518
Pakistan Investment Bonds	360,727	-	360,727	1,085,521	-	1,085,521
	1,715,182	-	1,715,182	11,237,039	-	11,237,039

9 INVESTMENTS

9.1 Investments by types:

Note	2010			2009			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
-----Rupees in '000-----							
Held for trading securities							
Market Treasury Bills	966,392	-	966,392	-	-	-	
Fully paid up ordinary shares / units - Listed	68,563	-	68,563	254,586	-	254,586	
	1,034,955	-	1,034,955	254,586	-	254,586	
Available for sale securities							
Market Treasury Bills	38,370,301	1,784,997	40,155,298	25,499,281	9,511,711	35,010,992	
Pakistan Investment Bonds	8,524,388	24,882	8,549,270	5,675,361	-	5,675,361	
Fully paid up ordinary shares / units - Listed	1,408,090	-	1,408,090	2,714,027	-	2,714,027	
Fully paid up ordinary shares / units - Unlisted	129,821	-	129,821	129,821	-	129,821	
Term Finance Certificates	1,588,852	-	1,588,852	1,788,368	-	1,788,368	
Preference Shares - Unlisted	40,000	-	40,000	-	-	-	
Sukuk Bonds	17,509,348	-	17,509,348	8,074,900	-	8,074,900	
	67,570,800	1,809,879	69,380,679	43,881,758	9,511,711	53,393,469	
Held to maturity securities							
Market Treasury Bills	4,836,816	-	4,836,816	11,240,946	-	11,240,946	
Pakistan Investment Bonds	3,946,980	-	3,946,980	4,084,310	-	4,084,310	
Term Finance Certificates	19,069,480	-	19,069,480	18,069,620	-	18,069,620	
Overseas Government Treasury Bills	-	-	-	438,074	-	438,074	
Pakistan Dollar Bonds	395,673	-	395,673	384,633	-	384,633	
Pakistan Euro Bonds	845,772	-	845,772	-	-	-	
Credit Linked Note	856,367	-	856,367	421,208	-	421,208	
Overseas Bonds	4,213,216	-	4,213,216	1,626,726	-	1,626,726	
Preference Shares - Unlisted	202,744	-	202,744	277,431	-	277,431	
Sukuk Bonds	5,379,176	-	5,379,176	4,020,093	-	4,020,093	
	39,746,224	-	39,746,224	40,563,041	-	40,563,041	
Associates							
Warid Telecom (Private) Limited	9.18.1.1	2,660,972	-	2,660,972	3,106,641	-	3,106,641
Wateen Telecom Limited	9.18.1.2	337,992	-	337,992	562,096	-	562,096
Alfalah Insurance Limited	9.18.1.3	95,794	-	95,794	87,828	-	87,828
Alfalah GHP Value Fund	9.18.1.4	152,704	-	152,704	147,590	-	147,590
Alfalah GHP Income Multiplier Fund	9.18.1.5	355,285	-	355,285	586,295	-	586,295
Alfalah GHP Islamic Fund	9.18.1.6	321,028	-	321,028	316,016	-	316,016
Alfalah GHP Investment Management Limited	9.18.1.7	140,497	-	140,497	154,726	-	154,726
		4,064,272	-	4,064,272	4,961,192	-	4,961,192
Investments at cost		112,416,251	1,809,879	114,226,130	89,660,577	9,511,711	99,172,288
Less: Provision for diminution in value of investments	9.20	(288,191)	-	(288,191)	(249,158)	-	(249,158)
Investments (net of provisions)		112,128,060	1,809,879	113,937,939	89,411,419	9,511,711	98,923,130
Surplus on revaluation of held for trading securities - net	9.22	3,300	-	3,300	1,934	-	1,934
Surplus / (Deficit) on revaluation of available for sale investments - net	21.2	(313,124)	(5,554)	(318,678)	367,766	(13,392)	354,374
Total investments		111,818,236	1,804,325	113,622,561	89,781,119	9,498,319	99,279,438

	Note	2010	2009
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	9.4	45,958,506	46,251,938
- Pakistan Investment Bonds	9.5	12,496,250	9,759,671
- Overseas Government Treasury Bills		-	438,074
- Overseas Government Bonds	9.6	4,022,704	1,601,020
- Sukuk Bonds	9.7	20,539,488	10,241,158
- Pakistan Dollar Bond	9.8	395,673	384,633
- Pakistan Euro Bond	9.9	845,772	-
		84,258,393	68,676,494
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	1,476,653	2,968,613
- Un-listed companies	9.11	129,821	129,821
- Preference Shares - Unlisted	9.12	242,744	277,431
		1,849,218	3,375,865
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.13	1,308,932	1,458,428
- Un-listed TFCs	9.14	19,349,400	18,399,560
- Sukuk Bonds	9.15	2,349,036	1,853,835
- Overseas Bonds	9.16	190,512	25,706
- Credit Linked Note	9.17	856,367	421,208
		24,054,247	22,158,737
Investment in associates	9.18	4,064,272	4,961,192
Total investments at cost		114,226,130	99,172,288
Provision for diminution in value of investments	9.20	(288,191)	(249,158)
Surplus on revaluation of held for trading securities - net	9.22	3,300	1,934
(Deficit) / Surplus on revaluation of available for sale securities - net	21.2	(318,678)	354,374
Total investments		113,622,561	99,279,438

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 12.01% to 13.95% per annum (2009: 11.50% to 13.25% per annum) with maturities upto December 2011 (2009: December 2010).

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 (2009: 8.00% to 14.00% per annum) with maturities from December 2011 to July 2020 (2009: December 2010 to September 2019). These also include PIBs having face value of Rs. 35 million (2009: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.

- 9.6 These represent Overseas Government Bonds issued by the Government of Afghanistan and the Government of Bangladesh amounting to AFA 1,654.829 million (2009: AFA 876.903 million) and BDT 66.700 million (2009: BDT 66.700 million) respectively. The rates of profit on Government of Afghanistan bond ranges from 2.38% to 3.48% per annum (2009: 7.20% to 7.58% per annum) while Government of Bangladesh bond carries profit at 10.60% per annum (2009: 10.60% per annum). These bonds have maturities upto March 2014 (2009: March 2014).
- 9.7 This represents sukuk bonds of Rs. 1,733.538 million (2009: 1,738.133 million) issued by Water and Power Development Authority (WAPDA) for a period of ten years, ijarah sukuk of Rs. 18,720.000 million (2009: 8,503.025 million) issued by the State Bank of Pakistan for a period of three years and SSGC sukuk of Rs. 85.95 million for a period of five years. The rates of profit on these bonds ranges between 12.12% to 13.56% per annum (2009: 11.67% to 12.97% per annum), between 12.64% to 14.14% per annum (2009: 11.67% to 12.92% per annum) and 13.64% per annum respectively.
- 9.8 This represents Pakistan Dollar Bonds of US Dollar 5.000 million (2009: 5.000 million) issued by the Government of Pakistan. These bonds carry interest at 8.812% per annum (2009: 7.125% per annum) and are due for maturity in March 2016 (2009: March 2016).
- 9.9 This represents Pakistan Euro Bonds of US Dollar 9.876 million (2009: Nil) issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum (2009: Nil) and are due for maturity in March 2016 (2009: Nil).

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

2010	2009		2010	2009
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
-	971,870	AKD Income Fund	-	41,850
140,411	-	Crosby Pheonix Fund	15,079	-
181,542	327,549	AMZ Plus Income Fund	17,901	35,000
-	729,161	Askari Income Fund	-	75,000
-	97,653	Atlas Income Fund	-	50,435
127,252	258,652	Dawood Money Market Fund	8,355	18,754
-	685,537	First Habib Income Fund	-	70,000
-	488,180	IGI Income Fund	-	49,958
-	502,821	JS Aggressive Income Fund	-	50,695
-	967,525	JS Income Fund	-	100,079
-	487,435	KASB Liquid Fund	-	50,000
-	1,397,156	MCB Dynamic Cash Fund	-	145,167
2,500,000	2,500,000	Meezan Balanced Fund	9,500	9,500
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
		NAFA Income Opportunity Fund (formerly NAFA Cash Fund)	381,659	450,000
37,539,759	41,931,941	NAFA Stock Fund	-	10,952
-	1,523,635	Pak Oman Advantage Fund	150,000	150,000
15,000,000	15,000,000	Pak Oman Advantage Islamic Income Fund	30,000	30,000
600,000	600,000	Pakistan Capital Market Fund	9,882	9,882
1,290,534	1,043,260	Pakistan Income Fund	-	100,000
-	1,949,240	Pakistan Strategic Allocation Fund	-	912
-	400,000	Reliance Income Fund	-	100,000
-	1,893,952	United Islamic Income Fund	50,000	50,000
504,951	504,951	United Money Market Fund	-	200,239
-	1,960,033			
		NON LIFE INSURANCE		
454,525	75,000	Adamjee Insurance Company Limited	46,916	9,317
		SYNTHETIC AND RAYON		
-	25,000	Dewan Salman Fibre Limited	-	188

2010	2009		2010	2009
(Number of shares / certificates / units)			(Rupees in '000)	
-	75,000	BANKS	-	4,545
-	1,310,000	Allied Bank Limited	-	15,269
-	175,000	Askari Bank Limited	-	1,005
210,000	-	J.S Bank Limited	39,991	-
1,125,000	1,242,591	MCB Bank Limited	72,603	98,982
300,000	1,953,000	National Bank of Pakistan	918	9,121
3,403,000	3,403,000	NIB Bank Limited	10,924	10,924
-	100,125	Samba Bank Limited	-	1,327
-	50,000	The Bank of Punjab	-	3,051
250,000	-	United Bank Limited	3,026	-
-	-	ICB Islamic Bank Limited	-	-
-	358,972	FINANCIAL SERVICES	-	9,297
-	263,067	Arif Habib Investment Management Limited	-	12,559
-	225,000	Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	-	6,802
2,667,640	2,667,640	Jahangir Siddiqui & Company Limited	24,977	93,794
-	-	KASB Securities Limited	-	-
2,339,135	7,640,000	CONSTRUCTION AND MATERIALS	15,345	50,118
60,000	-	Al-Abbas Cement Company Limited	1,846	-
7,639,139	5,378,252	D.G Khan Cement Limited	47,887	34,592
121,770	121,770	Fauji Cement Company Limited	1,279	1,793
50,000	562,375	Fecto Cement Limited	3,860	34,175
-	50,250	Lucky Cement Limited	-	827
-	3,000	Dewan Cement Limited	-	20
-	-	Dadabhoy Cement Industries Limited	-	-
-	2,000	SUGAR AND ALLIED INDUSTRY	-	78
-	-	Colony Sugar Mills Limited	-	-
-	1,000,000	OIL AND GAS PRODUCER	-	106,260
110,000	424,000	Oil and Gas Development Company Limited	-	81,448
-	268,594	Pakistan Oilfields Limited	30,527	47,632
150,000	100,007	Pakistan Petroleum Limited	-	28,760
-	-	Pakistan State Oil Company Limited	41,979	-
1,970,639	2,151,544	ELECTRICITY	37,935	41,417
1,500,000	500,000	Kohinoor Energy Limited	64,088	22,525
7,273,760	9,923,500	Kot Addu Power Company Limited	21,021	29,170
100,000	-	Southern Electric Power Company Limited	319	-
2,800,000	3,000,000	Karachi Electric Supply Company Limited	87,929	94,210
76,126	-	The Hub Power Company Limited	1,169	-
75,000	-	Nishat (Chunian) Power Company Limited	1,162	-
-	-	Nishat Power Company Limited	-	-
-	480	AUTOMOBILE ASSEMBLERS	-	17
-	-	Agriauto Industries Limited	-	-
100,000	170,000	PERSONAL GOODS	1,145	3,553
1,318,710	1,318,710	Azgard Nine Limited	2,980	2,980
-	100,000	Hira Textile Mills Limited	-	6,842
-	484	Nishat Mills Limited	-	4
-	128	Nakshbandi Industries Limited	-	1
30,000	-	Yousuf Weaving Mills Limited	683	-
-	-	Nishat (Chunian) Mills Limited	-	-
1,888,570	2,480,000	FIXED LINE TELECOMMUNICATION	38,287	49,012
-	804,000	Pakistan Telecommunication Company Limited	-	1,600
-	1,601,337	Telecard Limited	-	4,756
-	-	Worldcall Telecom Limited	-	-
400,000	-	CHEMICALS	1,673	-
-	17,810	Dewan Salman Fiber Limited	-	3,232
5,095,556	-	Engro Corporation Limited	60,325	-
-	605,000	Fatima Fertilizer Company Limited	-	15,134
500,000	1,297,200	Fauji Fertilizer Bin Qasim Limited	51,685	135,177
-	25,000	Fauji Fertilizer Company Limited	-	4,092
1,369,926	207,000	ICI Pakistan Limited	16,784	1,586
-	-	Lotte Pakistan PTA Limited	-	-

2010	2009		2010	2009
(Number of shares / certificates / units)			(Rupees in '000)	
962,059	1,118,263	INDUSTRIAL METALS AND MINING Crescent Steel & Allied Products Limited	25,014	29,087
-	2,225,086	REAL ESTATE INVESTMENT AND SERVICES Pace Pakistan Limited	-	12,831
-	10,000	GENERAL INDUSTRIALS Tri- Pack Limited	-	1,080
			1,476,653	2,968,613

9.11 Investments in unlisted companies

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive: Mr. S.M. Zaeem Break-up value per share: Rs. 1.16 Period of financial statements: December 31, 2009 (Audited)	5,725	5,725
24	16	Society for Worldwide Interbank Financial Telecommunication 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	Al-Hamra Hills (Private) Limited Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 8.17 Period of financial statements: June 30, 2010 (Audited)	70,000	70,000
5,000,000	5,000,000	Al-Hamra Avenue (Private) Limited Chief Executive: Mr. Habib Ahmed Break-up value per share: Rs. 9.52 Period of financial statements: June 30, 2010 (Un-audited)	50,000	50,000
			129,821	129,821

9.12 Investments in preference shares - Unlisted

3,000,000	5,000,000	STS Holdings Limited Redemption: Semi annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 11.02 Date of financial statements : December 31, 2009 Chief Executive : Mr. Michael Steven Potter (Paid-up value of each shares is BDT. 10)	36,312	60,973
1,000,000	1,000,000	BRAC Bank Limited Redemption: Annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 428.87 Date of financial statements : December 31, 2009 Chief Executive : Mr. Syed Mahbubur Rahman (Paid-up value of each shares is BDT. 100)	121,042	121,948

2010 (Number of shares)	2009		2010 (Rupees in '000)	2009
375,000	750,000	United Hospitals Limited Redemption: Annual redemptions over 5 years ending in 2011 Break-up value per share: BDT. 96.97 Date of financial statements : June 30, 2010 Chief Executive : Mr. Faridur Rehman Khan (Paid-up value of each shares is BDT. 100)	45,390	94,510
1,500,000	-	First Dawood Investment Bank Limited Redemption: 25 percent redemption in 4th year, 25 percent redemption in 5th year and remaining 50 percent redemption after 5th year from the issue date. Break-up value per share: Rs. 4.62 Date of financial statements: June 30, 2010 Chief Executive: Mr. Abdus Samad Khan	15,000	-
2,500,000	-	Trust Investment Bank Limited Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 0.54 Date of financial statements: June 30, 2010 Chief Executive: Mr. Hamuyun Nabi Jan	25,000	-
			242,744	277,431

9.13 Particulars of Term Finance Certificates - Quoted, Secured

	2010 (Rupees in '000)	2009
Askari Bank Limited (2nd Issue)	99,800	99,840
20,000 (2009: 20,000) certificates 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		
Standard Chartered Bank (Pakistan) Limited - (3rd Issue)	47,420	49,930
10,000 (2009: 10,000) certificates 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. Mohsin Ali Nathani		

	2010	2009
	(Rupees in '000)	
Bank Al Habib Limited	46,638	46,657
9,350 (2009: 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		
Faysal Bank Limited (formerly The Royal Bank of Scotland)	2,163	2,885
578 (2009: 578) certificates of Rs. 5,000 each		
Mark up: Average Six month 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. Naved A Khan		
Allied Bank Limited	38,368	38,384
7,686 (2009: 7,686) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 1.90 percent per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.24 percent of principal in the first 72 months and the remaining principal in 4 equal semi-annual installments of 24.94 percent each of the issue amount respectively starting from the 78th month.		
Maturity: September 2014		
Rating: AA- (JCR - VIS)		
Chief Executive: Mr. Khalid A Sherwani		
Pakistan Mobile Communication (Private) Limited	332,800	399,440
80,000 (2009: 80,000) certificates 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 48 months and remaining amount in 6 semi-annual installments.		
Maturity: Seven years from the date of issue i.e. May 31, 2013		
Rating: A+ (PACRA)		
Chief Executive: Mr. Rashid Khan		
ORIX Leasing Pakistan Limited	92,427	154,044
37,000 (2009: 37,000) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 1.50 percent per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.08 percent of principal in the first 24 months in 4 equal semi-annual installments and the remaining 99.22 percent of the principal would be redeemed during the last 36 months in six equal semi-annual installments.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Humayun Murad		

	2010	2009
	(Rupees in '000)	
Jahangir Siddiqui & Company Limited	49,920	49,940
10,000 (2009: 10,000) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 2.50 percent with a floor of 6 percent per annum and ceiling of 16 percent per annum.		
Redemption: The instrument is structured to redeem 0.18 percent of principal in the first 54 months, 49.91 percent in the 60th month and the remaining 49.91 percent in the last six months.		
Maturity: May 2012		
Rating: AA (PACRA)		
Chief Executive: Mr. Munaf Ibrahim		
Financial Receivables Securitization Company Limited	55,576	67,368
15,792 (2009: 15,792) certificates of Rs. 5,000 each		
Mark up: Average Six months KIBOR + 2.00 percent p.a. with a floor of 8 percent per annum and cap of 16 percent per annum.		
Redemption: Principal redemption will be carried out in 12 and 8 equal semi-annual installments in arrears, with a grace period of 1 year and 3 years for Class A TFCs and Class B TFCs respectively.		
Maturity: January 2014		
Rating: A+ (PACRA)		
Chief Executive: Mr. Muhammad Suleman Kanjiani		
Pak Arab Fertilizers Limited	94,000	99,940
20,000 (2009: 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		
Askari Bank Limited (3rd Issue)	449,820	450,000
90,000 (2009: 90,000) 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		
	1,308,932	1,458,428

9.14 Particulars of Term Finance Certificates - Unquoted, Secured

	2010	2009
	(Rupees in '000)	
Pakistan Mobile Communication (Private) Limited	-	200,000
Nil (2009: 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		
Agritech Limited (formerly Pak American Fertilizers Limited) note 9.14.1	499,600	499,700
100,000 (2009: 100,000) certificates of Rs. 5,000 each		
Mark up: Average Six Months KIBOR (Ask Side) + 1.75 basis point per annum (no floor & no cap)		
Redemption: Repayment will be stepped up installments where 35 percent of principal amount will be paid in the years 3 to 5 and remaining 65 percent will be paid in years 6 to 8.		
Maturity: July 2017		
Chief Executive: Mr. Ahmed Jaudet Bilal		
Jahangir Siddiqui & Company Limited	99,880	99,920
20,000 (2009: 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		
Khunja Textile Mills Limited	30,000	30,000
300 (2009: 300) certificates of Rs. 100,000 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. Shafay Hussain		
First Dawood Investment Bank Limited	30,000	30,000
6,000 (2009: 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		
Azgard Nine Limited - note 9.14.1	99,920	99,940
20,000 (2009: 20,000) certificates of Rs.5,000 each		
Mark-up: Average Six months KIBOR (Ask Side) + 1.00 percent per annum		
Redemption: Principal will be repaid in 12 semi annual installments with stepped up repayment plan whereby 47 percent of principal amount will be repaid in the years 3 to 6 and remaining 53 percent will be repaid in the years 7 to 8.		
Maturity: September 2017		
Chief Executive: Mr. Ahmed H. Shaikh		

	2010	2009
	(Rupees in '000)	
Power Holding (Private) Limited (Liability assumed from Gujranwala Electric Power Company Limited) - notes 9.14.2, 9.14.3 and 9.14.4	3,000,000	4,000,000
400 (2009: 400) certificates of Rs. 10,000,000 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. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from Faisalabad Electric Supply Company Limited) - notes 9.14.2, 9.14.3 and 9.14.4	3,000,000	4,000,000
400 (2009: 400) certificates of Rs. 10,000,000 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. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from National Transmission and Despatch Company) - note 9.14.2	4,000,000	4,000,000
800,000 (2009: 800,000) 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. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.3	5,440,000	5,440,000
1,088,000 (2009: 1,088,000) 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. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.3	3,000,000	-
600,000 (2009: 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 change over date (date of conversion of loan into term finance certificates).		
Maturity: April 2015		
Chief Executive: Mr. Fazeel Asif		
Faysal Bank Limited	150,000	-
30,000 (2009: Nil) certificates of Rs. 5,000 each		
Mark up: Average 6 month KIBOR plus 2.25 percent per annum		
Redemption: The instrument is structured to redeem 0.20 percent of principal semi-annually in the first 60 months and remaining amount in 4 equal semi-annual installments starting from 66th month.		
Maturity: July 2017		
Chief Executive: Mr. Naveed A. Khan		
	19,349,400	18,399,560

- 9.14.1 These customers have not complied with the terms of repayment of the term finance certificates. However, provision has not been made against them as the State Bank of Pakistan vide its letter number BSD/BRP-5/X/000197/2011 dated January 6, 2011 has allowed extension for withholding provisioning against these exposures till March 31, 2011 to all those Banks who have agreed to reschedule / restructure their exposures against these companies. Had the exemption not been issued, the provision for diminution in the value of investments would have been higher by Rs. 24.980 million and the amount of profit before taxation for the current year would have been lower by the same amount. The amount of mark-up accrued against classified investment has, however, been suspended.
- 9.14.2 During the year, the Government of Pakistan in its move to bring all circular debts of power sector to a single point of responsibility and ownership has transferred bank loan liabilities from the books of power companies (which includes term finance certificates issued by Gujranwala Electric Power Company Limited, Faisalabad Electric Supply Company Limited and National Transmission and Despatch Company) to Power Holding (Private) Limited. Accordingly GEPCO, FESCO and NTDC have now become fully absolved of these liabilities.
- 9.14.3 These represent conversion of loan amounts into term finance certificates. The relevant term finance certificates have not been issued to the Bank by December 31, 2010.
- 9.14.4 These customers have not complied with the terms of repayments of the term finance certificates. As these term finance certificates are guaranteed by the Government of Pakistan, no provisioning has been maintained against these certificates. However, markup accrued on these certificates amounting to Rs. 267.741 million has been suspended in accordance with the requirements of Prudential Regulations.

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Unit	2010 (Rupees in '000)	2009
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1.00 percent	59,740	224,025	298,700
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	25,000	39,062	62,500
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	38,000	126,667	158,334
**Security Leasing Corporation Limited - II	March 2014	6.00 percent	20,000	59,375	75,000
Kohat Cement Company Limited	December 2015	6 months KIBOR plus 1.80 percent	20,000	96,600	96,600
Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	Note 9.15.1	36,989	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	November 2014	3 months KIBOR plus 1.40 percent	20,000	95,000	95,000
*Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.10 percent	60,000	281,250	300,000
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00 percent	100,000	500,000	205,304
Amreli Steel Private Limited	December 2016	3 months KIBOR plus 2.50 percent	50,000	250,000	250,000
**Security Leasing Corporation Limited - I	March 2014	6.00 percent	5,000	12,695	15,625
**Security Leasing Corporation Limited - II	March 2014	6.00 percent	15,000	45,703	56,250
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50 percent	20,000	336,670	98,250
Quetta Textile Mills Limited	September 2015	6 months KIBOR plus 1.50 percent	20,000	145,000	-
				2,349,036	1,853,835

* These Sukuks bonds have been restructured with effect from February 19, 2010.

** These Sukuks bonds have been restructured with effect from March 19, 2010.

- 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, 2010.
- 9.16 These represent overseas bonds amounting to BDT 7.394 million (2009: BDT 21.080 million) and BDT 150 million (2009: Nil) issued by IDLC Securitisation Trust and Orascom Telecom respectively. These bonds carry interest at 14.09% per annum (2009: 14.09% per annum) and 13.50% per annum (2009: Nil) and are due for maturity in December 2011 (2009: December 2011) and June 2014 (2009: Nil) respectively.
- 9.17 These represent Credit Linked Notes amounting to US Dollar 5.000 million (2009: USD Dollar 5.000 million) and US Dollar 5.000 million (2009: Nil) issued by Standard Chartered Bank and Citigroup Funding Incorporation respectively. These carry interest at 3 months LIBOR plus 350 bps and 3 months LIBOR plus 450 bps and are due for maturity in March 2013 and June 2011 respectively.

9.18 Particulars of investments in associates

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

2010 (Number of shares / units)	2009		2010 (Rupees in '000)	2009
319,054,124	319,054,124	Warid Telecom (Private) Limited Percentage of holding: 8.24% (2009: 8.76%) Break-up value per share: Rs. 8.34 Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Muneer Farooqui	2,660,972	3,106,641
83,494,920	83,494,920	Wateen Telecom Limited Percentage of holding: 13.52% (2009: 20%) Break-up value per share: Rs. 4.05 Market value per share: Rs. 3.64 Date of reviewed financial statements: December 31, 2010 Chief Executive: Mr. Naeem Zaminder	337,992	562,096
7,498,913	6,899,000	Alfalah Insurance Limited Percentage of holding: 30% (2009: 30%) Break-up value per share: Rs. 12.77 Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Nasar us Samad Qureshi	95,794	87,828
2,889,739	2,413,487	Alfalah GHP Value Fund Percentage of holding: 33.18% (2009: 28.05%) Break-up value per unit: Rs. 52.84 Date of reviewed financial statements: December 31, 2010 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	152,704	147,590
7,650,498	11,261,109	Alfalah GHP Income Multiplier Fund Percentage of holding: 96.38% (2009: 92.42%) Break-up value per unit: Rs. 46.44 Date of reviewed financial statements: December 31, 2010 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	355,285	586,295
5,590,077	5,048,225	Alfalah GHP Islamic Fund Percentage of holding: 96.11% (2009: 96.55%) Break-up value per unit: Rs. 57.43 Date of reviewed financial statements: December 31, 2010 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	321,028	316,016
13,049,070	13,049,070	Alfalah GHP Investment Management Limited Percentage of holding: 40.22% (2009: 40.22%) Break-up value per share: Rs. 10.77 Date of audited financial statements: December 31, 2010 Chief Executive: Mr. Abdul Aziz Anis	140,497	154,726
			4,064,272	4,961,192

9.18.1 Investment in associates

9.18.1.1 Warid Telecom (Private) Limited

Investment as at January 1	3,106,641	4,251,037
Share in share premium	352,962	-
Share of loss	(909,936)	(1,144,396)
Gain on deemed disposal	111,305	-
Balance as at December 31	2,660,972	3,106,641

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

The company offered right issue which was not subscribed by the Bank resulting in decrease in shareholding of the Bank. The reduction in Bank's shareholding has been accounted for as 'deemed disposal' and resultant capital gain has been recognised in the financial statements.

The details of assets, liabilities, revenues and losses of the Company as of December 31, 2010 based on audited financial statements are as follows:

	As at December 31, 2010		Half year ended December 31, 2010	
	Assets	Liabilities	Revenues	Loss
-----Rupees in '000-----				
Warid Telecom (Private) Limited	136,134,362	103,847,801	15,416,080	(5,238,166)

	2010	2009
(Rupees in '000)		
9.18.1.2 Wateen Telecom Limited		
Investment as at January 1	562,096	684,696
Share of loss	(322,325)	(122,600)
Gain on deemed disposal	98,221	-
Balance as at December 31	337,992	562,096

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 company offered right issue which was not subscribed by the Bank resulting in decrease in shareholding of the Bank. The reduction in Bank's shareholding has been accounted for as 'deemed disposal' and resultant capital gain has been recognised in the financial statements.

The details of assets, liabilities, revenues and losses of the Company as of December 31, 2010 based on reviewed financial statements are as follows:

	As at December 31, 2010		Half year ended December 31, 2010	
	Assets	Liabilities	Revenues	Loss
-----Rupees in '000-----				
Wateen Telecom Limited	28,529,803	26,030,231	3,488,848	(1,710,095)

	2010	2009
(Rupees in '000)		
9.18.1.3 Alfalah Insurance Company Limited		
Investment as at January 1	87,828	62,153
Dividend received during the year	(4,829)	-
Share of profit	12,795	25,675
Balance as at December 31	95,794	87,828

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, 2010 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit
	-----Rupees in '000-----			
Alfalah Insurance Company Limited	1,300,163	980,802	359,928	42,649
			2010	2009
			(Rupees in '000)	

9.18.1.4 Alfalah GHP Value Fund

Investment as at January 1	147,590	99,942
Dividend received during the year	(5,779)	(4,996)
Share in reserves of associate	(9,469)	4,375
Share of profit	20,362	48,269
Balance as at December 31	152,704	147,590

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, 2010 based on reviewed financial statements are as follows:

	As at December 31, 2010		Half year ended December 31, 2010	
	Assets	Liabilities	Revenues	Profit
	-----Rupees in '000-----			
Alfalah GHP Value Fund	474,646	14,468	66,466	38,860
			2010	2009
			(Rupees in '000)	

9.18.1.5 Alfalah GHP Income Multiplier Fund

Investment as at January 1	586,295	527,037
Redemptions during the year	(210,000)	-
Dividend received during the year	-	(21,082)
Share in reserves of associate	(41,145)	(19,914)
Share of profit	20,135	100,254
Balance as at December 31	355,285	586,295

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 losses of the Fund as of December 31, 2010 based on reviewed financial statements are as follows:

	As at December 31, 2010		Half year ended December 31, 2010	
	Assets	Liabilities	Revenues	Loss
-----Rupees in '000-----				
Alfalah GHP Income Multiplier Fund	372,928	4,282	(12,990)	(20,318)

	2010	2009
(Rupees in '000)		
9.18.1.6 Alfalah GHP Islamic Fund		
Investment as at January 1	316,016	213,288
Dividend received during the year	(33,540)	(14,943)
Share in reserves of associate	(31,972)	34,760
Share of profit	70,524	82,911
Balance as at December 31	321,028	316,016

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, 2010 based on reviewed financial statements are as follows:

	As at December 31, 2010		Half year ended December 31, 2010	
	Assets	Liabilities	Revenues	Profit
-----Rupees in '000-----				
Alfalah GHP Islamic Fund	351,087	17,050	64,635	57,663

	2010	2009
(Rupees in '000)		
9.18.1.7 Alfalah GHP Investment Management Limited		
Investment as at January 1	154,726	128,988
Dividend received during the year	(10,439)	
Share in reserves of associate	1,962	8,570
Share of (loss) / profit	(5,752)	17,168
Balance as at December 31	140,497	154,726

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 losses of the Company as of December 31, 2010 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Loss
-----Rupees in '000-----				
Alfalah GHP Investment Management Limited	361,177	11,836	90,200	(10,412)

9.19 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2010	2009	2010	2009		
	-----Rupees in '000-----					
Market Treasury Bills	40,043,011	34,988,570	40,155,298	35,010,992	(Unrated - Government Securities)	
Pakistan Investment Bonds	8,045,322	5,675,501	8,549,270	5,675,361	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited (2nd Issue)	97,764	95,960	99,800	99,840	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	47,870	49,963	47,420	49,930	AAA	PACRA
Bank Al-Habib Limited	44,226	42,832	46,638	46,657	AA	PACRA
Faysal Bank Limited						
(formerly The Royal Bank of Scotland)	2,152	2,854	2,163	2,885	AA-	PACRA
Allied Bank Limited	37,689	37,185	38,368	38,384	AA-	JCRVIS
Pakistan Mobile Communication (Private) Limited	332,741	400,587	332,800	399,440	A+	PACRA
ORIX Leasing Pakistan Limited	91,693	154,694	92,427	154,044	AA+	PACRA
Jahangir Siddiqui & Company Limited	50,149	51,147	49,920	49,940	AA	PACRA
First Dawood Investment Bank Limited	30,000	30,000	30,000	30,000	D	PACRA
Financial Receivables Securitisation Company Limited "A"	26,634	33,827	26,928	34,621	A+	PACRA
Financial Receivables Securitisation Company Limited "B"	28,648	31,907	28,648	32,747	-----	(Unrated)-----
Pak Arab Fertilizers Limited	91,180	93,841	94,000	99,940	AA	JCRVIS
Pakistan Mobile Communication (Private) Limited	-	200,000	-	200,000	-----	(Unrated)-----
Azgard Nine Limited	99,920	99,036	99,920	99,940	CCC	PACRA
Askari Bank Limited (3rd Issue)	456,567	438,107	449,820	450,000	AA-	PACRA
Faysal Bank Limited	150,000	-	150,000	-	AA-	JCRVIS
	1,587,233	1,761,940	1,588,852	1,788,368		
Shares in Listed Companies / Certificates / Units						
AKD Income Fund	-	44,935	-	41,850	BBB(f)	JCRVIS
AMZ Plus Income Fund	10,709	32,980	17,901	35,000	BB(f)	JCRVIS
Crosby Pheonix Fund	15,190	-	15,079	-	A(f)	JCRVIS
Askari Income Fund	-	77,430	-	75,000	-----	(Unrated)-----
Atlas Income Fund	-	50,406	-	50,435	A+(f)	PACRA
Dawood Money Market Fund	9,998	21,229	8,355	18,754	-----	(Unrated)-----
First Habib Income Fund	-	70,823	-	70,000	AA-(f)	PACRA
IGI Income Fund	-	51,508	-	49,958	A+(f)	JCRVIS
JS Aggressive Income Fund	-	48,995	-	50,695	-----	(Unrated)-----
JS Income Fund	-	99,936	-	100,079	AA-(f)	PACRA
KASB Liquid Fund	-	43,181	-	50,000	BBB+(f)	PACRA
MCB Dynamic Cash Fund	-	144,542	-	145,167	A+(f)	PACRA
Meezan Balanced Fund	18,750	15,250	9,500	9,500	A(f)	JCRVIS
Meezan Islamic Income Fund	49,959	49,346	50,000	50,000	A(f)	JCRVIS
NAFA Income Opportunity Fund						
(Formerly NAFA Cash Fund)	382,425	426,314	381,659	450,000	A+(f)	PACRA
Pak Oman Advantage Fund	157,350	159,600	150,000	150,000	AA-(f)	PACRA
Pak Oman Advantage Islamic Income Fund	30,936	30,463	30,000	30,000	A+(f)	PACRA
Pakistan Capital Market Fund	10,092	10,172	9,882	9,882	4-Star/3-Star	PACRA
Pakistan Income Fund	-	102,959	-	100,000	AA-(f)	PACRA
Pakistan Strategic Allocation Fund	-	1,776	-	912	4-Star/3-Star	PACRA
Reliance Income Fund	-	74,658	-	100,000	-----	(Unrated)-----
United Islamic Income Fund	51,545	50,960	50,000	50,000	BBB-(f)	JCRVIS
United Money Market Fund	-	198,831	-	200,239	A+(f)	JCRVIS
Adamjee Insurance Company Limited	39,771	6,165	46,916	6,175	AA	PACRA
Askari Bank Limited	-	35,763	-	15,269	AA/A1+	PACRA
J.S Bank Limited	-	889	-	1,005	A/A1	PACRA
KASB Securities Limited	11,924	24,969	24,977	93,794	A-/A2	PACRA
MCB Bank Limited	45,708	-	37,784	-	AA+/A1+	PACRA
National Bank of Pakistan	76,820	89,988	63,873	96,613	AAA/A-1+	JCRVIS

Date of issue	Market value		Cost		Long/Medium Term Credit Rating	Rated by	
	2010	2009	2010	2009			
-----Rupees in '000-----							
NIB Bank Limited	-	9,374	-	9,121	AA-/A1+	PACRA	
Samba Bank Limited	6,670	11,264	10,924	10,924	A/A-1	JCRVIS	
The Bank of Punjab	-	1,950	-	1,320	AA-/A1+	PACRA	
Al-Abbas Cement Company Limited	8,117	52,716	15,345	50,118	-----	(Unrated)-----	
Fauji Cement Company Limited	35,781	33,128	45,177	34,592	-----	(Unrated)-----	
Fecto Cement Limited	883	1,279	1,279	1,793	-----	(Unrated)-----	
Lucky Cement Limited	-	33,490	-	30,535	-----	(Unrated)-----	
Kohinoor Energy Limited	42,921	66,698	37,935	41,417	-----	(Unrated)-----	
Kot Addu Power Company Limited	61,020	22,935	64,088	22,525	-----	(Unrated)-----	
Oil and Gas Development Company Limited	-	110,610	-	106,260	AAA/A-1+	JCRVIS	
Pakistan Oilfields Limited	-	40,385	-	26,089	-----	(Unrated)-----	
Pakistan Petroleum Limited	-	15,175	-	13,278	-----	(Unrated)-----	
Pakistan State Oil Company Limited	44,277	29,744	41,979	28,757	AA+/A1+	PACRA	
Southern Electric Power Company Ltd	16,220	37,440	21,021	27,118	AA+/A1+	PACRA	
The Hub Power Company Limited	104,748	93,240	87,929	94,210	AA+/A1+	PACRA	
Hira Textile Mills Limited	5,143	3,824	2,980	2,980	-----	(Unrated)-----	
Pakistan Telecommunication Company Limited	36,676	35,300	38,287	40,546	-----	(Unrated)-----	
Telecard Limited	-	2,115	-	1,600	-----	(Unrated)-----	
Worldcall Telecom Limited	-	5,925	-	4,756	A-/A2	PACRA	
Fauji Fertilizer Bin Qasim Limited	-	13,065	-	12,390	-----	(Unrated)-----	
Fauji Fertilizer Company Limited	62,930	102,930	51,685	103,371	-----	(Unrated)-----	
Fatima Fertilizer Limited	57,478	-	60,325	-	A/A1	PACRA	
Lotte Pakistan PTA Limited	5,969	-	5,171	-	-----	(Unrated)-----	
Crescent Steel & Allied Products Limited	26,466	-	25,013	-	-----	(Unrated)-----	
ICB Islamic Bank	3,026	-	3,026	-	-----	(Unrated)-----	
	1,429,502	2,686,655	1,408,090	2,714,027			
Shares in Un-listed Companies							
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			
Preference Shares in Un-listed Companies							
First Dawood Investment Bank Limited		Not Applicable	15,000	-	-----	(Unrated)-----	
Trust Investment Bank Limited		Not Applicable	25,000	-	-----	(Unrated)-----	
			40,000	-			
Sukuk Bonds							
Ijara Sukuk Bonds I	26-Sep-08	1,000,000	1,002,075	1,000,000	1,002,075	-----	(Unrated)-----
Ijara Sukuk Bonds II	29-Dec-08	2,625,000	1,000,000	2,625,000	1,000,000	-----	(Unrated)-----
Ijara Sukuk Bonds III	11-Mar-09	3,595,000	2,500,000	3,595,000	2,500,000	-----	(Unrated)-----
Ijara Sukuk Bonds IV	17-Sep-09	6,000,000	3,405,000	6,000,000	3,405,000	-----	(Unrated)-----
Ijara Sukuk Bonds V	15-Nov-10	1,000,000	-	1,000,000	-	-----	(Unrated)-----
Ijara Sukuk Bonds VI	20-Dec-10	3,000,000	-	3,000,000	-	-----	(Unrated)-----
Sui Southern Gas Company Limited		84,569	93,203	85,950	95,950	AA	PACRA
Security Leasing Corporation Limited		34,277	50,175	45,703	56,250	-----	(Unrated)-----
Security Leasing Corporation Limited		9,521	13,954	12,695	15,625	-----	(Unrated)-----
Quetta Textile Mills limited		130,570	-	145,000	-	-----	(Unrated)-----
		17,478,937	8,064,407	17,509,348	8,074,900		
		68,584,005	53,177,073	69,380,679	53,393,469		

	2010	2009
	(Rupees in '000)	
9.20 Particulars of provision for diminution in value of investments		
Opening balance	249,158	1,442,619
Charge for the year	171,815	277,607
Reversals	(285)	(32,375)
Provision written off during the year	(132,497)	(1,438,693)
Closing balance	288,191	249,158
9.21 Particulars of provision for diminution in value of investments by type and segment		
Available for sale securities		
Listed companies / mutual funds		
- Fully paid up ordinary shares / units	55,851	132,497
Unlisted companies		
- Fully paid up ordinary shares of Rs. 10 each		
- Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
- Al-Hamra Hills (Private) Limited	35,000	3,723
- Al-Hamra Avenue (Private) Limited	25,000	2,314
- Term finance certificates		
- First Dawood Investment Bank Limited	30,000	-
- Preference shares		
- First Dawood Investment Bank Limited	8,064	-
- Trust Investment Bank Limited	23,652	-
Held to maturity securities		
Unlisted companies		
- Term finance certificates / sukuk bonds		
- Kohat Cement Company Limited	74,899	74,899
- Khunja Textiles Mills Limited	30,000	30,000
	288,191	249,158

9.22 Unrealised gain on revaluation of investments classified as held for trading - net

Investee Company	Unrealised gain / (loss)		Cost	
	2010	2009	2010	2009
-----Rupees in '000-----				
Fully paid up ordinary shares / units - Listed				
NAFA Stock Fund	-	187	-	10,952
Adamjee Insurance Company Limited	-	(59)	-	3,142
NIB Bank Limited	(33)	-	918	-
MCB Bank Limited	79	-	2,207	-
Allied Bank Limited	-	(140)	-	4,545
Arif Habib Investment Management Limited	-	(395)	-	9,297
Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	-	402	-	12,559
Jahangir Siddiqui & Company Limited	-	(36)	-	6,802
National Bank of Pakistan	872	55	8,730	2,369
United Bank Limited	-	(129)	-	3,051
Lucky Cement Limited	(71)	122	3,860	3,640
Pakistan Oilfields Limited	2,029	2,103	30,527	55,359
Pakistan Petroleum Limited	-	1,394	-	34,354
Southern Electric Power Company Limited	-	103	-	2,052
Azgard Nine Limited	(179)	(19)	1,145	3,553
Nishat Mills Limited	-	148	-	6,842
Engro Corporation Limited	-	32	-	3,232
Fauji Fertilizer Bin Qasim Limited	-	-	-	2,744
Fauji Fertilizer Company Limited	-	(1,216)	-	31,806
Fauji Cement Company Limited	(143)	-	2,711	-
D G Khan Cement Limited	(35)	-	1,846	-
ICI Pakistan Limited	-	121	-	4,092
Lotte Pakistan PTA Limited	1,185	35	11,613	1,586
Crescent Steel & Allied Products Limited	-	(1)	-	29,087
Pace Pakistan Limited	-	186	-	12,831
Tri- Pack Films Limited	-	(50)	-	1,080
Pakistan Telecommunication Limited	-	6	-	8,466
Nishat Chunian Power Limited	56	-	1,169	-
Nishat Power Limited	56	-	1,162	-
Karachi Electric Supply Company Limited	(38)	-	319	-
Dewan Salman Fibre Limited	(477)	(151)	1,673	188
Nishat (Chunian) Mills Limited	(2)	-	683	-
Nakshbandi Industries Limited	-	1	-	4
Dewan Cement Limited	-	(701)	-	827
Yousuf Weaving Mills Limited	-	(1)	-	1
Dadabhoy Cement Industries Limited	-	(15)	-	20
Pakistan State Oil Company Limited	-	(1)	-	3
The Bank of Punjab	-	(5)	-	7
Agriauto Industries Limited	-	12	-	17
Colony Sugar Mills Limited	-	(54)	-	78
	3,299	1,934	68,563	254,586
Market Treasury Bills	1	-	966,392	-
	3,300	1,934	1,034,955	254,586

	Note	2010	2009
(Rupees in '000)			
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		187,666,166	170,388,025
Outside Pakistan		8,463,729	9,030,597
		196,129,895	179,418,622
Net investment in finance lease			
In Pakistan	10.2	6,905,615	10,142,351
Outside Pakistan		-	-
		6,905,615	10,142,351
Financing and investing assets under IFAS 2 Ijarah	10.3	3,503,758	946,536
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		2,799,456	1,628,365
Payable outside Pakistan		8,483,419	4,666,290
		11,282,875	6,294,655
		217,822,143	196,802,164
Provision against advances			
Specific provision against non-performing advances	10.5	(10,020,461)	(8,017,606)
General provision against advances	10.5	(649,628)	(763,066)
		(10,670,089)	(8,780,672)
		207,152,054	188,021,492
10.1 Particulars of advances - gross of provisions			
In local currency		197,905,166	181,336,577
In foreign currencies		19,916,977	15,465,587
		217,822,143	196,802,164
Short term (upto one year)		165,730,344	141,632,301
Long term (over one year)		52,091,799	55,169,863
		217,822,143	196,802,164

10.2 Net investment in finance lease

	2010				2009			
	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	1,897,754	3,021,997	-	4,919,751	2,430,071	5,545,111	5,341	7,980,523
Residual value	701,218	2,122,322	-	2,823,540	820,856	2,789,708	3,173	3,613,737
Minimum lease payments	2,598,972	5,144,319	-	7,743,291	3,250,927	8,334,819	8,514	11,594,260
Financial charges for future periods	(417,869)	(419,807)	-	(837,676)	(470,672)	(980,445)	(792)	(1,451,909)
Present value of minimum lease payments	2,181,103	4,724,512	-	6,905,615	2,780,255	7,354,374	7,722	10,142,351

10.2.1 Net investment in finance lease represents 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" 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

	2010 Asset categories				Total
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	
	----- (Rupees in '000) -----				
At January 1, 2010					
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
Year ended December 31, 2010					
Opening net book value	625,652	195,752	120,083	5,049	946,536
Additions	2,105,468	399,316	422,127	92,300	3,019,211
Disposals	-	-	-	-	-
Depreciation	(285,105)	(95,551)	(65,661)	(22,166)	(468,483)
Adjustment	6,494	-	-	-	6,494
Closing net book value	2,452,509	499,517	476,549	75,183	3,503,758
At December 31, 2010					
Cost	2,765,843	620,642	545,694	98,294	4,030,473
Accumulated depreciation	(313,334)	(121,125)	(69,145)	(23,111)	(526,715)
Net book value	2,452,509	499,517	476,549	75,183	3,503,758

	2009 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

	2010	2009
	(Rupees in '000)	
c) Future Ijarah payments receivable		
Not later than one year	5,150	196,989
Later than one year and not later than five years	5,550,544	1,078,778
Later than five years	106,542	-
	5,662,236	1,275,767

10.4 Advances include Rs 17.710 billion (2009: Rs 15.586 billion) which have been placed under non-performing status as detailed below:

Category of Classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Other Assets Especially Mentioned (Agri Financing) - note 10.4.1	192,889	-	192,889	-	-	-	-	-	-
Substandard	740,674	-	740,674	81,144	-	81,144	81,144	-	81,144
Doubtful - note 10.4.2	3,174,699	-	3,174,699	458,546	-	458,546	458,546	-	458,546
Loss	13,492,050	110,000	13,602,050	9,453,283	27,488	9,480,771	9,453,283	27,488	9,480,771
	17,600,312	110,000	17,710,312	9,992,973	27,488	10,020,461	9,992,973	27,488	10,020,461

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
	15,285,998	299,718	15,585,716	7,811,780	205,826	8,017,606	7,811,780	205,826	8,017,606

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

- 10.4.1 During the year, the State Bank of Pakistan through BSD Circular No. 6 of 2010 dated November 2, 2010 has allowed all banks to defer provisioning against all loans and advances which have been restructured / rescheduled as a result of recent floods in Pakistan. However, such loans and advances shall continue to be classified as per the criteria laid down in the Prudential Regulations. Further, the aforementioned deferment is only available for such loans and advances which have become non-performing after July 1, 2010. Had this relaxation not been available, the provision against loans and advances would have been higher by Rs. 48.599 million and the profit before taxation for the current year would have been lower by the same amount.
- 10.4.2 During the year, financing facility disbursed to Agritech Limited has been restructured as a result of financial difficulties / repayment problems faced by the Company. The State Bank of Pakistan vide its letter no. BSD/BRP-5/X/000197/2011 dated January 6, 2011 has allowed extension for withholding provisioning against the exposure till March 31, 2011, to all those banks who have agreed to reschedule / restructure their exposures against the Company. Had the exemption not been provided by the State Bank of Pakistan, the provision against loans and advances would have been higher by Rs. 188.839 million and the profit before taxation for the current year would have been lower by same amount.

10.5 Particulars of provisions against advances

Note	2010			2009		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
Opening balance	8,017,606	763,066	8,780,672	5,055,598	1,085,085	6,140,683
Exchange adjustment and other movements	1,499	(473)	1,026	51,038	(30,892)	20,146
Charge for the year	3,250,985	-	3,250,985	4,274,440	-	4,274,440
Reversals / recoveries	(923,493)	(112,965)	(1,036,458)	(868,825)	(291,127)	(1,159,952)
	2,327,492	(112,965)	2,214,527	3,405,615	(291,127)	3,114,488
Amounts written off	10.6.1 (326,136)	-	(326,136)	(494,645)	-	(494,645)
Closing balance	10,020,461	649,628	10,670,089	8,017,606	763,066	8,780,672

10.5.1 The State Bank of Pakistan (SBP) vide its BSD Circular No. 10 dated October 20, 2009 and BSD circular no. 2 dated June 3, 2010 has allowed banks to avail the benefit of 40% of forced sale value of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against non-performing loans for 4 years (previously 3 years) from date of classification for calculating provisioning requirement. However, the additional impact on profitability arising from availing the benefit of forced sale value against pledged stocks and mortgaged commercial, residential and industrial properties would not be available for payment of cash or stock dividend.

Had the provision against non-performing loans and advances being determined in accordance with previously laid down requirement 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, 2010 would have been lower by approximately Rs. 202.567 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2010 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs. 2,244.780 million (2009: Rs. 1,562.488 million).

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

	2010			2009		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	9,992,973	578,193	10,571,166	7,811,780	688,699	8,500,479
In foreign currencies	27,488	71,435	98,923	205,826	74,367	280,193
	10,020,461	649,628	10,670,089	8,017,606	763,066	8,780,672

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	2010	2009
		(Rupees in '000)	
10.6 Particulars of write-offs			
10.6.1 Against provisions		326,136	494,645
Directly charged to profit and loss account		25,504	59,817
		351,640	554,462
10.6.2 Write offs of Rs. 500,000 and above		8,746	46,946
Write offs of below Rs. 500,000		342,894	507,516
		351,640	554,462
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 December 31, 2010 is given in Annexure-I.			
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		3,592,275	2,994,577
- Loans granted during the year		1,990,615	1,257,102
- Repayments during the year		(1,477,540)	(659,404)
- Balance at end of year		4,105,350	3,592,275
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		2,169,012	998,792
- Loans granted during the year		10,932,476	2,168,474
- Repayments during the year		(10,960,392)	(998,254)
- Balance at end of year		2,141,096	2,169,012
Total		6,246,446	5,761,287
11 FIXED ASSETS			
Capital work-in-progress	11.1	679,951	2,225,154
Property and equipment	11.2	12,972,491	12,106,452
Intangible assets	11.3	599,153	220,848
		14,251,595	14,552,454

2010 2009
(Rupees in '000)

11.1 Capital work-in-progress

Civil works	228,406	662,923
Equipment / intangibles	189,993	1,265,727
Advances to suppliers and contractors	234,318	266,511
Others	27,234	29,993
	679,951	2,225,154

11.2 Property and equipment

Description	2010									
	Cost/ revaluation as at January 1, 2010	Additions / (disposals) / *adjustments	Reversal of deficit on revaluation	Cost/ Revaluation as at December 31, 2010	Accumulated depreciation as at January 1, 2010	Depreciation for the year/ (on disposal) / *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2010	Accumulated depreciation as at December 31, 2010	Net Book Value at December 31, 2010	Rate of depreciation %
----- (Rupees in '000) -----										per annum
Office premises	4,672,951	397,929 (6,501) * 1,700	-	5,066,079	-	78,207 (221) * 1,506	-	79,492	4,986,587	2.5%-5.5%
Revaluation	3,533,605	- 636	7,989	3,542,230	-	45,685	-	45,685	3,496,545	2.5%-5.5%
	8,206,556	397,929 (5,865) * 1,700	7,989	8,608,309	-	123,892 (221) * 1,506	-	125,177	8,483,132	
Lease hold improvements	2,293,010	440,116 (17,183) * (14,667)	-	2,701,276	1,118,831	451,530 (14,964) * (6,348)	-	1,549,049	1,152,227	20%
Furniture and fixtures	1,385,584	209,790 (11,151) * (2,171)	-	1,582,052	482,399	151,926 (6,907) * 386	-	627,804	954,248	10% - 25%
Office equipment	4,540,826	1,427,514 (30,411) * 34,443	-	5,972,372	2,829,185	859,247 (23,839) * 5,809	-	3,670,402	2,301,970	20% - 25%
Vehicles	246,101	16,976 (30,605) * 1,147	-	233,619	145,891	39,155 (28,357) * 12	-	156,701	76,918	25%
Leased										
Vehicles	23,490	- (4,544)	-	18,946	12,809	5,282 (3,141)	-	14,950	3,996	25%
	16,695,567	2,492,325 (99,759) * 20,452	7,989	19,116,574	4,589,115	1,631,032 (77,429) * 1,365	-	6,144,083	12,972,491	

2009

Description	Cost / revaluation as at January 1, 2009	Additions / (disposals) / *adjustments	Reversal of deficit on revaluation	Cost / Revaluation as at December 31, 2009	Accumulated depreciation as at January 1, 2009	Depreciation for the year / (on disposal) / *adjustments	Accumulated depreciation reversed on revaluation as at December 31, 2009	Accumulated depreciation as at December 31, 2009	Net Book Value at December 31, 2009	Rate of depreciation %
	----- (Rupees in '000) -----									
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%
Leased										
Vehicles	26,283	- (1,060) * (1,733)	-	23,490	8,584	6,200 (242) * (1,733)	-	12,809	10,681	25%
	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	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 1,677 million (2009: Rs. 1,188 million).

11.2.2 Office premises were last revalued on December 30, 2009 on the basis of market values determined by Harvester Services (Private) Limited, Valuation and Engineering Consultant. Had there been no revaluation, the net book value of office premises would have been Rs. 4,986.587 million.

11.3 Intangible assets

	2010							Rate of amortization % per annum
	COST			ACCUMULATED AMORTIZATION				
	Opening Balance	Additions / (Deletions) / * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance	Book value at closing	
----- (Rupees in '000) -----								
Computer software (note 11.3.1)	400,949	552,206 - * (117)	953,038	211,101	173,833 - * (49)	384,885	568,153	20%
Goodwill	109,971	-	109,971	109,971	-	109,971	-	
Membership Card	31,000	-	31,000	-	-	-	31,000	
	541,920	552,206 - * (117)	1,094,009	321,072	173,833 - * (49)	494,856	599,153	

	2009							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization % per annum
	Opening Balance	Additions/ (Deletions)/ * Adjustment	Closing Balance	Opening Balance	Amortization (Deletion) / * Adjustment	Closing Balance		
	----- (Rupees in '000) -----							
Computer software	365,897	35,113 - * (61)	400,949	145,040	66,207 - * (146)	211,101	189,848	20%
Goodwill	109,971	-	109,971	109,971	-	109,971	-	
Membership Card	31,000	-	31,000	-	-	-	31,000	
	506,868	35,113 - * (61)	541,920	255,011	66,207 - * (146)	321,072	220,848	

11.3.1 This includes additional amortisation charge of Rs. 24.344 million which has been recognised during the year on account of reassessment of useful life over which the benefits associated with a specific intangible should be recognised.

11.3.2 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 174.664 million (2009: Rs. 169.289 million).

11.4 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						
Bhera branch	4,925	-	4,925	4,945	Negotiation	Mr. Kh. Abdul Latif
Defence Office Premises	557	32	525	524	Insurance claim	M/s Alfalah Insurance (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	383	189	194	79	Various	Various
	5,865	221	5,644	5,548		
Leasehold Improvements						
Renovation work	2,738	2,738	-	-	Write Off	N/A
Renovation work	6,182	6,182	-	-	Write Off	N/A
Renovation work	1,158	742	416	416	Insurance Claim	M/s Alfalah Insurance (Related party)
Renovation work	1,033	1,033	-	-	Write Off	N/A
Renovation work	1,860	795	1,065	-	Write Off	N/A
Renovation work	821	491	330	-	Write Off	N/A
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	3,391	2,983	408	21	Various	Various
	17,183	14,964	2,219	437		
Furniture and fixtures						
Furniture & Fixture	1,374	511	863	1,072	Insurance Claim	M/s Alfalah Insurance (Related party)
Furniture & Fixture	1,799	1,342	457	429	Bid	Jahandad Society for Community Development
Furniture & Fixture	465	90	375	449	Insurance Claim	M/s Alfalah Insurance (Related party)
Furniture & Fixture	493	156	337	338	Insurance Claim	M/s Alfalah Insurance (Related party)
Furniture & Fixture	386	70	316	237	Negotiation	Mr. Ahad Affendi - employee
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,634	4,738	1,896	1,756	Various	Various
	11,151	6,907	4,244	4,281		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Office equipment						
Diesel Generator	1,170	1,167	3	507	Bid	Mr. Haider Ali
Diesel Generator	1,200	1,061	139	536	Bid	Mr. Haider Ali
Diesel Generator	1,074	868	206	412	Bid	Mr. Haider Ali
Diesel Generator	1,074	852	222	412	Bid	Mr. Haider Ali
Assets destroyed in fire	2,160	1,035	1,125	1,269	Insurance Claim	M/s Alfalah Insurance (Related party)
Diesel Generator	950	588	362	413	Bid	Mr. Haider Ali
Diesel Generator	962	666	296	530	Bid	Mr. Dilawar Gill
Assets destroyed in fire	1,185	828	357	696	Insurance Claim	M/s Alfalah Insurance (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	20,636	16,774	3,862	5,255	Various	Various
	30,411	23,839	6,572	10,030		
Vehicles						
Toyota Corolla	1,548	1,530	18	643	Bid	Mr. Haji Noorullah
Honda Civic	1,195	1,195	-	793	Bid	Mr. Umer Zameer
Toyota Corolla	1,005	749	256	1,067	Bid	Mr. M. Saleem
Honda Accord	3,603	2,048	1,555	1,629	As Per Bank Policy	Mr. Iqbal Saifi
Honda City	1,060	552	508	1,000	Negotiation	Mr. Adil Motiwala
Honda City	912	556	356	1,000	Negotiation	Mr. Adil Motiwala
Honda Civic	1,506	1,322	184	1,400	Negotiation	Mr. Adil Motiwala
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	24,320	23,546	774	19,704	Various	Various
	35,149	31,498	3,651	27,236		
Total - December 31, 2010	99,759	77,429	22,330	47,532		
- December 31, 2009	178,516	109,053	69,463	113,064		

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

	Note	2010	2009
(Rupees in '000)			
12 OTHER ASSETS			
Income / mark-up accrued in local currency		11,945,948	10,157,823
Income / mark-up accrued in foreign currencies		353,062	467,294
Advances, deposits, advance rent and other prepayments		1,410,150	1,902,300
Assets acquired in satisfaction of claims	12.1	354,109	338,920
Advances against future Murabaha		1,270,265	3,512,142
Advances against future Ijarah		283,706	161,426
Advances against Diminishing Musharakah		150,469	156,845
Branch adjustment account		364,265	112,533
Tax recoverable		258,531	372,502
Dividend receivable		17,958	5,818
Unrealised gain on forward foreign exchange contracts		76,368	-
Prepaid exchange risk fee		1,691	2,066
Stationery and stamps on hand		93,266	92,386
Trade debts		585,273	576,741
Others		141,445	14,959
		17,306,506	17,873,755
Less: Mark up held in suspense account		(3,768,832)	(2,618,243)
Less: Provision held against other assets	12.2	(635,932)	(541,016)
		12,901,742	14,714,496
12.1 Market value of assets acquired in satisfaction of claims		274,753	341,200

	Note	2010	2009
(Rupees in '000)			
12.2 Provision held against other assets			
Opening balance		541,016	282,532
Charge for the year	12.2.1	94,916	258,484
Reversals		-	-
Amount written off		-	-
Closing balance		635,932	541,016
12.2.1 This includes an amount of Rs. 93.040 million recognised during the year on account of impairment in the value of asset acquired in satisfaction of claim.			
13 BILLS PAYABLE			
In Pakistan		4,358,194	3,576,887
Outside Pakistan		163,339	189,257
		4,521,533	3,766,144
14 BORROWINGS			
In Pakistan		11,602,025	18,887,601
Outside Pakistan		2,098,099	1,766,320
		13,700,124	20,653,921
14.1 Particulars of borrowings with respect to currencies			
In local currency		11,602,025	18,887,601
In foreign currencies		2,098,099	1,766,320
		13,700,124	20,653,921
14.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	14.3	9,150,442	8,652,611
Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	14.4	302,198	470,866
Long Term Finance Facility	14.5	336,300	75,513
Modernisation of SMEs	14.6	11,620	-
Repurchase agreement borrowings	14.7	1,801,465	9,488,610
		11,602,025	18,687,600
Unsecured			
Call borrowings		2,098,099	1,809,016
Overdrawn nostro accounts		-	157,305
		2,098,099	1,966,321
		13,700,124	20,653,921

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 from 7.50% to 9.00% per annum (2009: 7.50% to 8.00% 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 4.00% to 5.00% per annum (2009: 4.00% to 5.00% per annum) payable on a quarterly basis.

14.5 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 6.50% to 8.60% per annum (2009: 6.50% per annum) payable on a quarterly basis.

- 14.6 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 is 6.00% per annum payable on a quarterly basis.
- 14.7 This represents repurchase agreement borrowings from other banks at rates ranging from 12.50% to 13.30% per annum (2009: 11.50% to 12.40% per annum) maturing by January 2011 (2009: July 2010).

		2010	2009
		(Rupees in '000)	
15	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	102,317,555	121,729,436
	Savings deposits	96,350,207	83,905,340
	Current accounts - non-remunerative	119,435,697	88,444,698
	Others	4,888,918	4,753,199
		322,992,377	298,832,673
	Financial institutions		
	Remunerative deposits	30,760,292	25,709,867
	Non-remunerative deposits	258,021	200,849
		31,018,313	25,910,716
		354,010,690	324,743,389
15.1	Particulars of deposits		
	In local currency	284,341,957	263,433,537
	In foreign currencies	69,668,733	61,309,852
		354,010,690	324,743,389
16	SUB-ORDINATED LOANS		
	Term Finance Certificates II - Quoted, Unsecured	1,247,120	1,247,600
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 and 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		

		Note	2010	2009
			(Rupees in '000)	
Term Finance Certificates III - Quoted, Unsecured			1,322,072	1,322,581
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 and 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			
Term Finance Certificates IV - Private, Unsecured			4,998,000	5,000,000
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 and 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			
			7,567,192	7,570,181

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010				2009			
	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	3,578	3,068	-	6,646	5,959	8,187	-	14,146
Financial charges for future periods	(546)	(190)	-	(736)	(1,185)	(603)	-	(1,788)
Present value of minimum lease payments	3,032	2,878	-	5,910	4,774	7,584	-	12,358

	Note	2010	2009
(Rupees in '000)			
18 DEFERRED TAX LIABILITIES - NET			
Deferred credits arising due to			
Difference between accounting book value of leased assets and lease liabilities		423,548	283,772
Accelerated tax depreciation		1,738,194	1,397,529
Loss on remeasurement of held for trading investment		1,155	-
Surplus on revaluation of operating fixed assets		710,417	723,611
		2,873,314	2,404,912
Deferred debits arising due to			
Provision for doubtful debts		(1,424,899)	(1,732,167)
Provision against other assets		-	(3,386)
Provision against off-balance sheet obligations		(15,472)	(13,168)
Impairment in the value of investment	18.1	(327,943)	369,497
Unrealised loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale		(137)	(10,201)
Leased assets		-	(638)
Deficit on revaluation of securities		(111,538)	(240,603)
		(1,879,989)	(1,630,666)
		993,325	774,246

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.

19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,124,715	4,319,628
Mark-up / return / interest payable in foreign currencies		238,160	379,660
Unearned commission and income on bills discounted		221,898	171,693
Accrued expenses		995,090	620,759
Payable against redemption of credit card reward points		111,547	133,601
Security deposits against leases		4,081,356	3,983,095
Exchange difference payable to the State Bank of Pakistan		30,912	44,081
Payable to brokers	19.1	514	3,007
Unrealised loss on forward foreign exchange contracts		-	55,350
Provision against off-balance sheet obligations	19.2	44,207	37,623
Workers' Welfare Fund	29.1	51,165	63,260
Others		457,533	280,076
		9,357,097	10,091,833

19.1 This represents amounts payable to brokers against purchase of shares.

19.2 Provision against off-balance sheet obligations			
Opening balance		37,623	38,142
Exchange adjustment		528	900
Charge for the year		6,056	(1,419)
Closing balance		44,207	37,623

20 SHARE CAPITAL

20.1 Authorised capital

2010	2009	Note	2010	2009
(Number of shares)			(Rupees in '000)	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

19.2 Issued, subscribed and paid up capital ordinary shares of Rs. 10 each

		Ordinary shares		
		Fully paid in cash		
		- at the beginning of the year	6,247,500	2,250,000
624,750,000	225,000,000	- during the year	-	3,997,500
-	399,750,000		6,247,500	6,247,500
624,750,000	624,750,000			
		Issued as bonus shares		
		- at the beginning of the year	7,244,063	5,745,000
724,406,250	574,500,000	- during the year	-	1,499,063
-	149,906,250		7,244,063	7,244,063
724,406,250	724,406,250			
1,349,156,250	1,349,156,250		13,491,563	13,491,563

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of:

- Fixed assets	21.1	2,786,128	2,809,994
- Available for sale securities	21.2	(316,985)	201,122
		2,469,143	3,011,116

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets at January 1		3,533,605	3,154,726
Transferred to retained earnings in respect of incremental depreciation charged during the year		(29,695)	(24,696)
Related deferred tax liability in respect of incremental depreciation charged during the year		(15,990)	(13,298)
Surplus on revaluation of fixed assets recognised during the year		-	416,873
Reversal of deficit on account of disposal of property		636	-
Other reversal		7,989	-
		(37,060)	378,879
		3,496,545	3,533,605
Related deferred tax liability on surplus as at January 1		723,611	585,753
Deferred tax liability booked		2,796	151,156
Related deferred tax liability in respect of incremental depreciation charged during the year		(15,990)	(13,298)
		(13,194)	137,858
		710,417	723,611
		2,786,128	2,809,994

	2010	2009
	(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available for sale securities		
Deficit on:		
Government securities	(616,235)	(22,282)
Term finance certificates - quoted	(1,619)	(26,428)
Sukuk bonds	(30,411)	(10,493)
Surplus on:		
Quoted shares / units / certificates	329,587	413,577
	(318,678)	354,374
Related deferred tax asset / (liability)	111,538	(124,031)
	(207,140)	230,343
Share of deficit on associates' investments - classified as 'available for sale'	(109,845)	(29,221)
	(316,985)	201,122
22 CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
i) Government	875,489	2,559,129
ii) Banking companies & other financial institutions	6,972	2,385,416
iii) Others	2,345,386	996,298
	3,227,847	5,940,843
22.2 Transaction-related contingent liabilities		
i) Government	39,192,697	44,686,175
ii) Banking companies & other financial institutions	783,073	1,179,920
iii) Others	18,238,077	7,252,879
	58,213,847	53,118,974
22.3 Trade-related contingent liabilities		
Letters of credit	46,125,101	35,113,200
Acceptances	5,200,075	3,468,109
22.4 Other contingencies		
Claims against the Bank not acknowledged as debts	4,738,505	3,117,529
22.5 Commitments in respect of forward lendings		
Forward repurchase agreement lendings	-	-
Commitments to extend credit	4,261,342	6,947,330
22.6 Commitments in respect of forward exchange contracts		
Purchase	32,707,614	19,518,293
Sale	20,936,061	10,528,925

	Note	2010	2009
		(Rupees in '000)	
22.7	Commitments for the acquisition of fixed assets	250,339	367,514
22.8	Commitments in respect of repo transactions		
	Repurchase	1,812,780	9,539,831
	Resale	1,726,402	11,370,376
22.9	Other commitments		
	Donation	11,000	22,000

22.10 Contingency for tax payable (note 30.1)

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		
	a) On loans and advances to:		
	i) customers	24,923,043	25,710,840
	ii) financial institutions	863,473	298,742
	b) On investments in:		
	i) held for trading securities	7,261	2,023
	ii) available for sale securities	5,676,018	5,033,071
	iii) held to maturity securities	5,273,320	3,184,792
	c) On deposits with financial institutions	395,708	730,346
	d) On securities purchased under resale agreements	181,785	562,716
	e) Profit earned on ijarah assets net of depreciation	24.2	209,648
	f) Interest income		142
		37,530,398	35,554,930

24.1 These include mark-up earned of Rs. 4,896.987 million (2009: Rs. 3,373.900 million) which pertains to the Bank's Islamic Banking Division.

	Note	2010	2009
		(Rupees in '000)	
24.2 Profit earned on ijarah assets			
Lease rentals earned		678,131	94,400
Depreciation for the year		(468,483)	(64,726)
		209,648	29,674
25 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		18,404,710	21,385,092
Securities sold under repurchase agreements		1,771,569	639,790
Other short term borrowings		2,371,834	1,979,966
Term Finance Certificates		1,109,062	532,883
Brokerage and commission		195,998	108,194
Others		-	3,636
Financial Charges		1,405	60,317
		23,854,578	24,709,878
26 GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
- Market Treasury Bills		64	8,112
- Pakistan Investment Bonds		1,440	35,143
Shares - listed		65,665	587,303
Sukuk Bonds		-	60,000
		67,169	690,558
27 OTHER INCOME			
Gain on sale of fixed assets		25,202	43,601
Postage, telex service charges etc.		1,277,555	1,210,848
Provision no longer required written back		-	51,443
Custody services		1,090	909
		1,303,847	1,306,801
28 ADMINISTRATIVE EXPENSES			
Non executive director fee & allowances		15,751	14,354
Salaries, allowances, etc.		5,231,203	4,638,803
Charge for defined benefit plan	35.7	145,379	189,352
Contribution to defined contribution plan	36	177,275	156,832
Rent, taxes, insurance, electricity, etc.		2,018,612	1,673,212
Legal and professional charges		221,339	214,321
Communications		497,196	472,657
Repairs and maintenance		806,693	646,872
Stationery and printing		189,672	170,420
Capital work-in-progress written off		99,423	-
Advertisement and publicity		383,033	468,373
Donations	28.1	27,570	12,570
Auditors' remuneration	28.2	14,411	13,585
Depreciation	11.2	1,631,032	1,479,818
Amortisation of intangible assets	11.3	173,833	66,207
Entertainment, vehicle running expenses, travelling and subscription		363,300	320,522
Others		662,299	472,056
		12,658,021	11,009,954

	Note	2010	2009
(Rupees in '000)			
28.1 Donations			
Marie Adelaide Leprosy Center, Larkana		850	850
Publician Alumni Trust - Cantt Public School		720	720
Institute of Business Administration		11,000	11,000
Relief Fund for Tameer-e-Pakistan Chief Minister of Punjab		10,000	-
Governor of Punjab Flood Relief Fund		5,000	-
		27,570	12,570
None of the directors or their spouses had any interest in the donees.			
28.2 Auditors' remuneration			
Audit fee		4,860	3,870
Half yearly review		1,000	925
Special certifications and sundry advisory services		2,382	2,562
Out-of-pocket expenses		1,968	1,853
		10,210	9,210
Fee for audit of foreign branches		4,201	4,375
		14,411	13,585
29 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		25,500	16,194
Workers' Welfare Fund	29.1	51,165	63,260
		76,665	79,454
29.1	As per the Worker's Welfare Ordinance, 1971, the Bank is liable to pay Workers' Welfare Fund @ 2% of accounting profit before tax or declared income as per the income tax return, whichever is higher.		
30 TAXATION			
For the year			
Current		845,155	1,071,160
Deferred		276,763	(537,401)
For prior years			
Current		(262,137)	(936,365)
Deferred		191,081	756,691
		(71,056)	(179,674)
Share tax of associates		(152,735)	181,483
		898,127	535,568

30.1 Bank

The income tax assessments of the Bank have been finalised upto and including tax year 2010. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh. These issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

For all assessments finalised upto tax year 2009, adequate provision has been made by the Bank in these consolidated financial statements. In respect of tax year 2010, the tax authorities have disallowed certain expenditure on account of non-deduction of withholding tax resulting in additional demand of Rs. 141.226 million. The management's appeal in respect of this add-back is currently pending with the Commissioner of Inland Revenue (Appeals). The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of this amount.

30.2 Subsidiary

The income tax returns for tax years 2005, 2006, 2007, 2008, 2009 and 2010 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.

	2010	2009
	(Rupees in '000)	
30.3 Relationship between tax expense and accounting profit		
Profit before taxation	2,065,110	437,664
Tax at the applicable rate of 35% (2009: 35%)	722,789	153,182
Effect of:		
- income chargeable to tax at reduced rates	(58,521)	(62,352)
- permanent differences	38,927	56,272
- tax effect of income assessed under final tax regime	-	18,810
- income exempt from tax	-	573
- tax charge pertaining to overseas branches	17,559	2,542
- tax for prior years	(71,056)	(179,674)
- share of profit / loss of associates either exempt from tax or taxed at reduced rates	217,357	428,010
- Exchange adjustment on provision against off balance sheet items	-	-
- Deferred tax asset not recognised	19,943	89,106
- others	11,129	29,099
Tax expense for the year	898,127	535,568
31 BASIC / DILUTED EARNINGS PER SHARE		
Profit after taxation for the year	1,194,553	(97,904)
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,349,156	1,267,533
	(Rupees)	
Basic / Diluted earnings per share	0.89	(0.08)

	2010	2009
	(Rupees in '000)	
32 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	41,197,841	35,056,025
Balances with other banks	16,180,533	22,722,927
Call money lendings	4,773,903	3,710,396
	62,152,277	61,489,348

33 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 2010 (2009: AA [Double A]) for long term and A1+ [A one plus] for short term).

	2010	2009
	(Number of employees)	
34 STAFF STRENGTH		
Permanent	6,876	6,579
Temporary / On contractual basis	695	883
Bank's own staff strength at the end of the year	7,571	7,462
Outsourced	2,438	2,089
Total staff strength	10,009	9,551

35 DEFINED BENEFIT PLAN

35.1 Principal actuarial assumptions

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2010. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2010	2009
Discount factor used	14.00%	14.00%
Expected rate of return on plan assets	12.00%	14.00%
Expected rate of salary increase	14.00%	14.00%
Normal retirement age	60 Years	60 Years

	2010	2009
	(Rupees in '000)	
35.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	1,002,268	802,966
Fair value of plan assets	(677,430)	(696,403)
Net actuarial losses not recognised	(324,838)	(106,563)
	-	-

35.3 Movement in defined benefit obligation

Obligations at the beginning of the year	802,966	737,369
Current service cost	125,207	115,249
Interest cost	112,415	110,605
Benefits paid	(44,217)	(27,527)
Actuarial (gain) / loss on obligation	5,897	(132,730)
Obligations at the end of the year	1,002,268	802,966

35.4 Movement in fair value of plan assets

Fair value at the beginning of the year	696,403	468,272
Expected return on plan assets	97,497	70,241
Contributions	145,379	189,352
Benefits paid	(44,217)	(27,527)
Actuarial gain / (loss) on plan assets	(217,632)	(3,935)
Fair value at the end of the year	677,430	696,403

	Note	2010	2009
(Rupees in '000)			
35.5 Plan assets consist of the following:			
Ordinary shares		104,423	27,000
Term Finance Certificates		92,847	72,574
Term Deposit Receipts		163,153	278,853
Pakistan Investment Bonds		18,844	18,844
Units of mutual funds		144,995	91,596
Cash and bank		153,168	207,536
		677,430	696,403
35.6 Movement in payable to defined benefit plan			
Opening balance		-	-
Charge for the year		145,379	189,352
Bank's contribution to fund made during the year		(145,379)	(189,352)
Closing balance		-	-
35.7 Charge for defined benefit plan			
Current service cost		125,207	115,249
Interest cost		112,415	110,605
Expected return on plan assets		(97,497)	(70,241)
Actuarial losses		5,254	32,324
Past service cost		-	1,415
		145,379	189,352
35.8 Actual return on plan assets		(120,135)	66,306

35.9 Historical information

	2010	2009	2008	2007	2006
----- (Rupees in '000) -----					
Defined benefit obligation	1,002,268	802,966	737,369	546,346	366,308
Fair value of plan assets	677,430	696,403	468,272	352,811	250,757
Deficit	(324,838)	(106,563)	(269,097)	(193,535)	(115,551)
Experience adjustments on plan liabilities	(5,897)	132,730	(68,203)	(87,394)	(45,151)
Experience adjustments on plan assets	(217,632)	(3,935)	(28,212)	(2,673)	(7)

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. 177.275 million (2009: Rs. 156.832 million) in respect of this fund.

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
------(Rupees in '000)-----						
Fee	-	-	15,751	14,354	-	-
Bonus	10,185	1,287	-	-	261,581	128,437
Managerial remuneration	11,917	9,718	-	-	1,105,802	952,333
Post employment benefits	1,619	1,286	-	-	132,044	105,915
Rent and house maintenance	4,599	3,719	-	-	356,045	298,395
Utilities	1,150	930	-	-	83,501	70,513
Medical allowance	35	34	-	-	228	-
	29,505	16,974	15,751	14,354	1,939,201	1,555,593
Number of persons	2	2	4	4	869	718

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

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 Group's accounting policy as stated in note 5.4 to these consolidated financial statements.

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

	2010		2009	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
38.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	32,707,614	32,437,045	19,518,293	19,474,475
Forward sale of foreign exchange	20,936,061	20,589,124	10,528,925	10,540,457

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-----					
2010					
Total income	9,199,236	4,742,820	28,434,730	57,338	42,434,124
Total expenses	9,047,421	4,361,948	26,873,047	86,598	40,369,014
Net income	151,815	380,872	1,561,683	(29,260)	2,065,110
Segment assets	22,450,071	23,662,933	365,558,820	132,058	411,803,882
Segment non-performing loans	-	3,479,864	14,230,448	-	17,710,312
Segment provision required against loans and advances	-	2,561,539	8,108,452	98	10,670,089
Segment liabilities	21,848,034	25,517,913	342,074,441	715,483	390,155,871
Segment return on assets (ROA) (%)	10.73%	17.47%	12.06%	1.55%	
Segment cost of funds (%)	9.30%	16.07%	10.33%	14.98%	
2009					
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	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	-	3,165,731	12,419,985	-	15,585,716
Segment provision required against loans and advances	-	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%	

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 are as follows:

	2010					Total
	Directors	Key Management Personnel	Group Companies	Associates	Strategic Investments	
-----Rupees in '000-----						
40.1 Deposits						
Balance at the beginning of the year	7,591	32,603	756,418	1,794,730	18	2,591,360
Placements during the year	82,297	606,162	10,942,390	44,848,947	-	56,479,796
Withdrawals during the year	(61,101)	(594,509)	(11,550,755)	(45,416,064)	-	(57,622,429)
Balance at the end of the year	28,787	44,256	148,053	1,227,613	18	1,448,727

	2010					
	Directors	Key Management Personnel	Group Companies	Associates	Strategic Investments	Total
	(Rupees in '000)					
40.2 Advances						
Balance at the beginning of the year	7,955	90,564	400,000	1,769,012	-	2,267,531
Disbursements during the year	2,616	122,095	-	10,932,476	-	11,057,187
Repayments during the year	(1,339)	(62,973)	-	(10,960,392)	-	(11,024,704)
Balance at the end of the year	9,232	149,686	400,000	1,741,096	-	2,300,014
40.3 Investments						
Balance at the beginning of the year	-	-	253,161	5,883,753	120,000	6,256,914
Investments during the year	-	-	60,769	-	-	60,769
Withdrawals during the year	-	-	(263,930)	(196,804)	-	(460,734)
Balance at the end of the year	-	-	50,000	5,686,949	120,000	5,856,949
40.4 Call borrowings / Repo						
Balance at the beginning of the year	-	-	1,890,926	-	-	1,890,926
Borrowing during the year	-	-	31,207,334	-	-	31,207,334
Repayments during the year	-	-	(33,098,260)	-	-	(33,098,260)
Balance at the end of the year	-	-	-	-	-	-
40.5 Call lendings / Reverse Repo						
Balance at the beginning of the year	-	-	100,000	-	-	100,000
Placements during the year	-	-	13,602,511	-	-	13,602,511
Withdrawals during the year	-	-	(13,702,511)	-	-	(13,702,511)
Balance at the end of the year	-	-	-	-	-	-

	Note	2010	2009
(Rupees in '000)			
40.6 Advances			
Running finance			
- Other related parties		1,741,096	1,768,474
Long term loans			
- Other related parties		558,918	499,057
40.7 Contingencies and commitments			
Letter of credit and acceptance outstanding		27,690	25,609
Guarantees outstanding		165,578	155,800
40.8 Customer accounts			
PLS accounts			
- Other related parties		1,271,861	1,937,903
Current accounts			
- Other related parties		112,570	120,915
Fixed deposit accounts			
- Other related parties		64,296	532,542

	Note	2010	2009
(Rupees in '000)			
40.9 Balances with other banks			
- Balance with United Bank Limited		930,689	702,703
40.10 With associated companies			
Insurance premium paid to Alfalah Insurance Company Limited		322,757	182,035
Mark-up income on advances		318,512	207,751
Mark-up expense on deposits		245,230	423,954
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited		36,916	32,215
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges		136,524	343,675
Provision made during the year in respect of investment in Warid Telecom (Private) Limited		1,705,824	-
Provision made during the year in respect of investment in Wateen Telecom Limited		113,553	-
40.11 With other related parties			
Capital gain on redemption of units of USAF		-	824
Capital gain on sale of shares of UBL		1,353	6,719
Loss on redemption of units of UMMF / UGIF		5,641	-
Contribution to employees provident fund		177,275	156,832
Payment for books of Ikram Majeed Sehgal		-	2,755
Provision made during the year in respect of strategic investments		53,963	-
Mark-up income on financing to group company		62,076	-
40.12 The key management personnel / directors compensation are as follows:			
Salaries and allowances		577,964	540,877

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 Group 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.

Group'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, 2010

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	2010	2009
		(Rupees in '000)	
Regulatory capital base			
Tier I capital			
Fully paid-up capital		13,491,563	13,491,563
Balance in share premium account - associate		1,968,435	1,615,473
Reserves (excluding foreign exchange translation reserves)		2,961,132	2,767,442
Unappropriated / unremitted profits (net of losses)		(72,693)	(23,926)
Non-controlling interest		(27,570)	
Less: Book value of intangibles		(694,915)	(488,255)
Shortfall in provisions required against classified assets irrespective of any relaxation allowed		(262,418)	-
Deductions in respect of investment in TFCs of other banks in excess of limits prescribed in Appendix 1.1(3)(iii) of SBP Basel II Framework		(6,567)	-
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(118,146)	(121,277)
Total Tier I Capital		17,238,821	17,241,020
Tier II Capital			
Subordinated debt (upto 50% of total Tier 1 capital)		5,598,739	6,114,552
General provisions for loan losses subject to 1.25% of total risk weighted assets		667,406	763,066
Revaluation reserve (upto 45%)		1,380,610	1,749,591
Foreign exchange translation reserves		858,001	820,527
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(118,146)	(121,277)
Total Tier II capital		8,386,610	9,326,459
Eligible Tier III capital		-	-
Total regulatory capital	(a)	25,625,431	26,567,479

	Capital requirements		Risk Weighted Assets	
	2010	2009	2010	2009
-----Rupees in '000-----				
Risk-weighted exposures				
Credit risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	1,369,804	950,190	13,698,039	9,501,899
Public Sector Entities (PSEs)	524,644	294,973	5,246,440	2,949,732
Banks	1,704,352	1,402,563	17,043,521	14,025,628
Corporates	10,898,707	8,147,232	108,987,068	81,472,324
Retail portfolio	3,384,960	3,439,787	33,849,595	34,397,874
Residential mortgage finance	386,220	388,011	3,862,200	3,880,110
Listed equities and regulatory capital instruments issued by others banks	208,174	185,572	2,081,742	1,855,715
Unlisted equity investments	445,450	609,634	4,454,496	6,096,341
Fixed Assets	1,355,668	1,433,161	13,556,680	14,331,606
Other Assets	569,301	810,654	5,693,007	8,106,540
Past Due Exposures	917,690	854,311	9,176,896	8,543,115
Market risk				
Portfolios subject to standardised approach				
Interest rate risk	59,446	11,312	743,075	141,400
Equity position risk	11,498	41,043	143,725	513,038
Foreign exchange risk	10,338	6,675	129,225	83,438
Operational risk	2,451,809	2,235,335	30,647,613	27,941,688
TOTAL	(b) 24,298,061	20,810,453	249,313,322	213,840,448
Capital adequacy ratio				
Total eligible regulatory capital held	(a) 25,625,431	26,567,479		
Total risk weighted assets	(b) 249,313,322	213,840,448		
Capital Adequacy ratio	[a / b * 100] 10.28%	12.42%		

41.3 Types of exposures and ECAs used

Exposures	JCR-VIS	PACRA	S&P	Moody's & 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 Group 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	2010			2009		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	4,806,361	-	4,806,361	3,311,764	-	3,311,764
PSEs	1	11,071,537	6,386,568	4,684,969	10,462,180	5,969,627	4,492,553
Banks	1,2,3	9,832,919	2,861,256	6,971,663	5,918,929	1,984,180	3,934,749
Banks	4,5	-	-	-	685,284	-	685,284
Banks - FCY claims less than three months	1,2,3	11,504,104	144	11,503,960	11,281,363	-	11,281,363
	4,5	4,378	-	4,378	693,778	-	693,778
Banks - PKR claims less than three months		2,935,270	1,352,121	1,583,149	15,853,480	10,062,431	5,791,049
Corporates	1	13,880,493	310,696	13,569,797	12,503,165	207,645	12,295,520
Corporates	2	3,873,453	46,467	3,826,986	12,397,952	496,010	11,901,942
Corporates	3,4	1,581,111	73,755	1,507,356	2,321,136	-	2,321,136
Corporates	5,6	2,190,488	-	2,190,488	-	-	-
Retail portfolio		47,836,159	6,488,588	41,347,571	47,097,161	5,145,975	41,951,186
Unrated		149,444,895	46,891,615	102,553,280	127,683,184	49,018,442	78,664,742
Total		258,961,168	64,411,210	194,549,958	250,209,376	72,884,310	177,325,066

*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 organisational 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.
- An independent risk review function exists at the Bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- The Bank has extensively pursued the implementation of Basel II in the Bank. In order to meet the requirement, many steps have been taken by the Bank. Progress has been made in implementation of Risk based Pricing & Approval Grids in the Bank. Moreover, in order to enhance data integrity and the reliability regarding MCR (Minimum Capital Requirement) calculation, automation of CAR (Capital Adequacy Ratio) calculation is in process and is functional in significant branches of the Bank. Moreover, for Pillar 2 disclosures ICAAP exercise is conducted.
- As a policy the reporting line of the risk management function has been kept completely independent of the businesses divisions and Credit Group.
- 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 1, 2008 with the standardised 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.

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. Credit Risk Management Committee has been set up to ensure implementation of the credit risk policy / strategy / credit plan approved by the Board and to monitor credit risk on a bank-wide basis and ensure compliance with limits approved by the Bank.

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 emphasising prudence in lending activities and ensuring the high quality of asset portfolio. As part of 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 terms 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 is continuously reviewed for best results in line 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 strategising and decision making. The System now also has the capability to auto generate alerts on accounts showing weakness in financials and hence requiring a more vigilant monitoring.

The Bank has also developed Facility Rating System in line with SBP's guidelines. The implementation on System, which will generate ratings of transactions and provide estimated LGD (Loss Given Default), will take place in due course.

The adherence to Risk-appetite statement approved by the Board is monitored by RMD. Further the compliance of regulatory & internal limits is also monitored and any deviations are ratified from the competent authorities.

Credit Monitoring Division (CMD) keeps a watch on the quality of the credit portfolio in terms of its strengths, weaknesses and vulnerabilities, and identifies weakening accounts relationships and reports it to the appropriate authority with a view to not only arrest deterioration but also to pre-empt any regulatory classification. CMD maintains a Watchlist of such accounts which is generated on quarterly basis and is also reviewed by RMD.

A Centralized Credit Administration Division under Operations Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD.

Special attention is paid by the management in respect of non-performing loans. Special Asset Management (SAM) Department 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.

Proactive credit-risk management practices in the form Integrated Bank-wide Risk Management and Internal Control Framework, adherence to Basel II accord, constitute the important risk management measures the bank is engaged in for mitigating these 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 Standardised 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 Standardised 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 number 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 Standardised 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 authorisation 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 recognised 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 recognises 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 borrower 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

	2010					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	16,454,247	7.55%	3,180,283	0.90%	69,991	0.06%
Automobile & Transportation						
Equipment	2,975,509	1.37%	4,296,670	1.21%	1,846,676	1.69%
Chemical and Pharmaceuticals	5,099,313	2.34%	2,244,788	0.63%	3,283,508	3.01%
Cement	2,454,226	1.13%	373,246	0.11%	1,102,540	1.01%
Communication	2,991,723	1.37%	7,464,647	2.11%	1,336,990	1.22%
Electronics and Electrical						
Appliances	4,554,791	2.09%	1,860,589	0.53%	1,003,533	0.92%
Educational Institutes	1,511,752	0.69%	6,487,431	1.83%	33,093	0.03%
Financial	2,388,877	1.10%	24,582,507	6.94%	34,940,595	31.98%
Fertilizers	6,932,795	3.18%	10,349,254	2.92%	1,507,492	1.38%
Food & Allied Products	4,827,450	2.22%	2,212,344	0.62%	627,595	0.57%
Glass & Ceramics	201,350	0.09%	350,518	0.10%	154,322	0.14%
Ghee & Edible Oil	2,750,553	1.26%	1,321,132	0.37%	1,682,206	1.54%
Housing Societies / Trusts	2,230,099	1.02%	12,057,797	3.41%	2,453	0.00%
Insurance	7,831	0.00%	872,052	0.25%	-	0.00%
Import & Export	3,042,738	1.40%	3,904,795	1.10%	1,326,376	1.21%
Iron / Steel	6,365,100	2.92%	4,306,956	1.22%	3,423,507	3.13%
Oil & Gas	13,230,267	6.07%	24,761,935	6.99%	10,017,075	9.17%
Paper & Board	1,614,022	0.74%	1,581,454	0.45%	538,878	0.49%
Production and Transmission						
of Energy	20,496,914	9.41%	11,224,313	3.17%	13,688,264	12.53%
Real Estate / Construction	4,095,145	1.88%	8,038,537	2.27%	3,855,817	3.53%
Retail / Wholesale Trade	7,434,706	3.41%	16,123,084	4.55%	1,911,138	1.75%
Rice Processing and						
Trading/ Wheat	7,252,514	3.33%	2,472,043	0.70%	62,384	0.06%
Sugar	2,395,957	1.10%	1,298,355	0.37%	766,615	0.70%
Shoes and Leather garments	947,684	0.44%	586,901	0.17%	163,145	0.15%
Sports Goods	352,498	0.16%	450,645	0.13%	44,878	0.04%
Surgical Goods	148,596	0.07%	691,770	0.20%	82,469	0.08%
Textile Spinning	16,634,526	7.64%	947,711	0.27%	750,581	0.69%
Textile Weaving	2,764,213	1.27%	1,826,023	0.52%	791,021	0.72%
Textile Composite	15,385,267	7.06%	2,374,013	0.67%	1,669,632	1.53%
Welfare Institutions	155,426	0.07%	6,384,523	1.80%	650	0.00%
Individuals	31,598,029	14.51%	108,984,636	30.79%	5,047,158	4.62%
Others	28,528,025	13.10%	80,399,738	22.70%	17,514,064	16.03%
	217,822,143	100.00%	354,010,690	100.00%	109,244,646	100.00%

	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	0.17%
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	2.05%
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	27.46%
	196,802,164	100.00%	324,743,389	100.00%	94,319,407	100.00%

* 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

	2010					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	32,294,071	15%	48,840,410	14%	19,902,281	18%
Private	185,528,072	85%	305,170,280	86%	89,342,365	82%
	217,822,143	100%	354,010,690	100%	109,244,646	100%

	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%
	196,802,164	100%	324,743,389	100%	94,319,407	100%

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, forestry, hunting and fishing	505,944	151,541	426,248	90,436
Textile	2,122,295	1,499,801	2,620,181	1,762,715
Chemical and pharmaceuticals	150,496	88,372	59,815	47,215
Cement	-	-	1,404	-
Automobile and transportation equipment	193,169	71,549	73,402	28,642
Wholesale and retail trade	615,852	225,151	795,499	271,948
Individuals	3,997,042	2,914,175	3,490,595	2,408,363
Others	10,125,514	5,069,872	8,118,572	3,408,287
	17,710,312	10,020,461	15,585,716	8,017,606

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	17,710,312	10,020,461	15,585,716	8,017,606
	17,710,312	10,020,461	15,585,716	8,017,606

42.1.4.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	-----Rupees in '000-----			
Pakistan	1,629,728	374,746,425	21,135,329	103,240,280
Asia Pacific (including South Asia)	369,690	31,506,569	417,776	6,004,366
Middle East	65,692	5,550,888	94,906	-
	2,065,110	411,803,882	21,648,011	109,244,646

	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	-
	437,664	389,294,267	21,682,195	94,319,407

* 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 Standardised Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Currently, the Bank calculates 'Value at Risk (VaR)' on a daily basis by using 'Historical Method' taking into consideration the data of over 2 years. Moreover, the 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 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:

	2010			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
-----Rupees in '000-----				
Pakistan Rupee	354,596,789	317,032,155	(16,045,632)	21,519,002
United States Dollar	37,562,549	47,700,243	10,137,750	56
Great Britain Pound	1,544,285	5,150,246	3,642,294	36,333
Japanese Yen	13,500	7,985	-	5,515
Euro	2,462,767	4,732,772	2,291,887	21,882
Other currencies	15,623,992	15,532,470	(26,299)	65,223
Total foreign currency exposure	57,207,093	73,123,716	16,045,632	129,009
Total currency exposure	411,803,882	390,155,871	-	21,648,011

	2009			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
-----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	389,294,267	367,612,072	-	21,682,195

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 customer's 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

2010

On-balance sheet financial instruments	Effective Yield/Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		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		
Assets													
Cash and balances with treasury banks	0.61%	41,197,841	7,941,983	1,456,097	1,332,684	680,946	-	-	-	-	-	-	32,250,638
Balances with other banks	0.63%	16,180,533	4,507,300	1,096,583	428,184	-	-	-	-	-	-	-	8,203,506
Lending to financial institutions	7.09%	4,947,536	4,944,519	1,096,583	428,184	-	-	-	-	-	-	-	-
Investments	11.25%	11,622,221	6,953,460	40,913,210	29,689,460	13,513,381	1,298,408	1,744,728	3,153,533	7,014,398	12,667,479	1,602,589	-
Other assets	12.25%	20,192,191	30,236,279	30,614,429	32,387,239	63,719,332	11,511,327	6,940,273	10,750,571	7,746,519	12,667,479	12,192,519	-
Liabilities													
Bills payable		398,843,864	54,345,265	83,082,119	64,446,587	76,916,059	12,869,735	8,659,971	13,906,280	14,754,917	12,667,479	55,254,652	-
Borrowings	8.34%	4,521,533	3,899,564	-	9,150,442	-	-	-	-	650,118	-	4,521,533	-
Deposits and other accounts	5.87%	35,400,090	24,138,591	53,536,461	26,964,772	122,430,521	96,846	1,356,464	587,800	619	-	124,582,636	-
Sub-ordinated loans	14.65%	7,567,192	505	-	1,494	4,168,719	1,273,943	882,876	4,000	4,988,000	-	-	-
Liability against assets subject to finance lease	12.25% - 1.9%	9,040,114	252	505	738	1,516	719	720	1,440	-	-	9,040,114	-
Other liabilities	-	388,845,563	28,038,407	53,536,966	36,117,466	122,848,916	2,236,508	2,220,060	64,220	5,638,737	-	138,144,283	-
On-balance sheet gap		7,997,301	26,306,658	29,545,153	28,329,121	(4,592,857)	10,573,227	6,439,911	13,842,060	9,116,180	12,667,479	(82,889,631)	-
Off-balance sheet financial instruments													
Forward exchange contracts - purchase		33,707,614	13,161,913	9,265,904	7,835,022	2,419,499	35,476	-	-	-	-	-	-
Forward exchange contracts - sale		29,036,641	6,166,832	4,849,724	5,779,865	8,193,400	-	-	-	-	-	-	-
Repo transactions resale		1,812,780	1,736,002	-	-	-	-	-	-	-	-	-	-
Repo transactions repurchase		1,812,780	1,812,780	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		11,685,175	3,588,903	4,416,080	2,045,157	1,599,559	35,476	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		29,895,761	33,961,233	33,961,233	30,374,278	(44,333,288)	10,608,703	6,439,911	13,842,060	9,116,180	12,667,479	-	-
Cumulative yield/interest risk sensitivity gap		29,895,761	63,856,994	94,231,272	49,897,974	60,506,677	66,946,588	80,786,648	89,904,828	102,572,307	-	-	-

2009

On-balance sheet financial instruments	Effective Yield/Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		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		
Assets													
Cash and balances with treasury banks	2.21%	35,056,025	7,370,861	2,212,878	3,705,778	446,484	-	-	-	-	-	-	27,685,164
Balances with other banks	2.74%	22,722,927	9,455,488	2,667,734	8,780	-	-	-	-	-	-	-	6,902,299
Lending to financial institutions	10.41%	14,947,835	12,270,921	2,667,734	8,780	-	-	-	-	-	-	-	-
Investments	11.08%	99,279,438	2,287,827	36,126,465	21,498,460	21,470,557	2,768,782	2,005,739	2,633,800	5,347,955	12,394,132	5,139,853	-
Advances	13.67%	188,021,492	25,790,046	21,027,800	26,080,359	61,669,544	11,260,089	8,055,222	16,838,289	4,906,011	12,394,132	12,006,177	-
Other assets		12,006,177	12,006,177	62,034,877	51,293,377	83,586,585	14,028,871	10,060,961	19,472,089	10,253,966	12,394,132	51,733,493	-
Liabilities													
Bills payable		3,766,144	10,818,537	479,087	8,652,611	121,545,741	1,583,546	2,753,890	15,669,2	546,380	-	3,766,144	-
Borrowings	9.01%	20,653,921	29,934,494	46,052,902	7,570,181	-	-	-	-	-	-	157,306	-
Deposits and other accounts	7.38%	324,743,389	7,570,181	-	-	-	-	-	-	-	-	93,398,746	-
Sub-ordinated loans	17.84%	7,570,181	368	739	1,108	2,214	1,982	1,982	3,965	-	-	5,873,786	-
Liabilities against assets subject to finance lease	2.50%	5,873,786	368	739	1,108	2,214	1,982	1,982	3,965	-	-	103,195,982	-
Other liabilities	-	36,619,179	40,753,399	46,532,728	45,541,278	121,547,955	1,585,528	2,753,872	16,657	546,380	-	5,873,786	-
On-balance sheet gap		9,413,715	16,421,744	15,502,149	5,752,099	(37,961,370)	12,443,343	7,305,089	19,311,432	9,707,586	12,394,132	(51,462,489)	-
Off-balance sheet financial instruments													
Forward exchange contracts - purchase		19,518,293	13,795,751	5,673,475	1,819,007	49,067	-	-	-	-	-	-	-
Forward exchange contracts - sale		10,528,925	6,884,741	1,825,177	1,819,007	-	-	-	-	-	-	-	-
Repo transactions resale		11,370,276	9,956,621	1,374,755	4,009,373	2,264,124	-	-	-	-	-	-	-
Repo transactions repurchase		9,539,831	35,058	3,231,276	4,009,373	2,264,124	-	-	-	-	-	-	-
Off-balance sheet gap		10,819,913	16,871,573	1,991,777	(5,888,380)	(221,505,7)	-	-	-	-	-	-	-
Total yield/interest risk sensitivity gap		33,293,317	17,493,926	(76,281)	(401,764,07)	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	-	-	-

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

2010

	Rupees in '000									
	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	
Assets										
Cash and balances with treasury banks	11,327,634	1,456,097	1,332,684	680,946	-	-	-	-	-	29,870,207
Balances with other banks	12,710,806	1,096,383	428,184	-	-	8,470	-	-	-	-
Lending to financial institutions	4,964,519	21,342,666	16,917,880	15,015,380	9,552,392	20,019,606	16,448,007	-	-	9,746,559
Investments	4,292,243	30,614,429	32,987,259	63,719,732	11,511,327	6,904,273	10,750,757	7,740,519	-	12,667,479
Advances	30,256,279	208,316	312,478	624,949	1,249,900	1,249,900	2,313,639	1,623,598	-	6,564,656
Fixed assets	14,251,159	104,159	245,550	574,801	146,539	146,539	219,809	219,809	-	-
Other assets	12,901,742	11,188,330	162,365	80,615,808	22,460,158	28,328,788	29,732,212	19,330,485	-	49,390,170
Liabilities										
Bills payable	4,521,533	-	-	-	-	-	-	-	-	-
Borrowings	13,700,124	3,899,564	9,150,442	37,948,609	48,006,022	93,224,368	33,497,942	650,118	-	-
Deposits and other accounts	35,010,690	55,643,856	29,072,167	41,687,9	1,273,943	882,876	4,000	17,913,478	-	4,988,000
Sub-ordinated loans	7,567,192	505	758	1,516	719	720	1,440	-	-	-
Liabilities against assets subject to finance lease	5,910	252	-	-	-	-	993,325	-	-	-
Deferred tax liabilities	993,325	-	507,680	668,847	1,101,966	1,101,966	1,101,966	162,254	-	-
Other liabilities	9,357,097	4,614,016	38,732,541	39,035,851	50,382,650	95,209,930	35,598,673	23,714,850	-	-
	390,155,871	55,741,763	13,489,494	41,579,957	(27,922,492)	(66,881,142)	(5,866,461)	(4,384,365)	-	-
Net assets	21,648,011	(861,507)	13,489,494	41,579,957	(27,922,492)	(66,881,142)	(5,866,461)	(4,384,365)	-	49,390,170
Share capital	13,491,563									
Reserves	3,819,133									
Share in share premium of associate	1,968,435									
Non-controlling interest	(27,570)									
Unappropriated profit	(72,693)									
Surplus on revaluation of assets - net of tax	2,469,143									
	21,648,011									

2009

	Rupees in '000									
	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	
Assets										
Cash and balances with treasury banks	15,050,513	2,212,878	214,816	446,484	-	-	-	-	-	20,005,512
Balances with other banks	19,848,749	2,667,734	8780	-	-	-	-	-	-	-
Lending to financial institutions	12,270,921	13,788,738	15,981,596	21,400,959	7,063,890	8,465,396	23,556,394	6,347,370	-	2,059,831
Investments	615,264	25,790,046	26,080,359	61,669,544	11,260,089	8,055,222	16,838,289	4,906,011	-	12,394,132
Advances	188,021,492	356,979	535,469	1,070,938	2,006,635	852,952	1,129,985	951,749	-	7,469,257
Fixed assets	178,490	12,549,971	203,902	701,967	188,159	188,159	282,239	282,239	-	12,008
Other assets	14,714,496	86,303,954	43,126,872	85,289,892	20,518,773	17,561,729	41,806,907	12,487,369	-	41,940,740
Liabilities										
Bills payable	3,766,144	-	-	-	-	-	-	-	-	-
Borrowings	10,975,843	475,087	8,652,611	25,898,925	1,583,546	2,753,890	156,692	546,380	-	-
Deposits and other accounts	32,474,389	46,052,902	34,070,578	1,494	418,499	1,273,818	884,876	4,990,000	-	-
Sub-ordinated loans	7,570,181	739	1,107	2,215	1,982	1,982	3,965	-	-	-
Liabilities against assets subject to finance lease	774,246	368	-	-	-	-	774,246	-	-	-
Deferred tax liabilities	10,091,833	91,809	467,759	633,304	1,075,436	1,075,436	1,075,435	159,324	-	-
Other liabilities	367,612,072	234,482,541	43,193,549	26,535,938	3,079,463	5,105,126	2,895,214	5,695,704	-	-
Net assets	21,682,195	(148,178,587)	(66,677)	58,753,954	17,499,310	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									
Non-controlling interest	-									
Unappropriated profit	(23,926)									
Surplus on revaluation of assets - net of tax	3,011,116									
	21,682,195									

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

	2010									
	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
Assets										
Cash and balances with treasury banks	41,197,841	11,327,634	-	-	680,946	-	-	-	-	29,870,207
Balances with other banks	16,180,533	12,710,806	1,456,097	1,332,684	-	-	-	-	-	-
Lendings to financial institutions	6,497,556	4,964,519	1,096,383	428,184	-	-	-	-	-	-
Investments	113,622,561	4,292,243	21,342,666	16,917,880	15,015,380	9,552,392	20,019,606	16,448,007	9,746,559	287,838
Advances	207,152,054	30,256,279	30,614,429	32,987,259	63,719,732	11,511,327	6,904,273	10,750,757	7,740,519	12,667,479
Fixed assets	14,251,595	104,159	208,316	312,478	624,949	1,249,900	1,249,900	2,313,639	1,623,598	6,564,656
Other assets	12,901,742	11,188,330	162,365	243,550	574,801	146,539	219,809	219,809	219,809	-
	411,803,882	74,843,970	54,880,256	52,222,035	80,615,808	22,460,158	28,328,788	29,732,212	19,330,485	49,390,170
Liabilities										
Bills payable	4,521,533	4,521,533	-	-	-	-	-	-	-	-
Borrowings	13,700,124	3,899,564	-	9,150,442	-	-	-	-	650,118	-
Deposits and other accounts	354,010,690	249,690,957	53,536,460	26,964,772	17,549,657	1,939,630	3,536,477	792,118	619	-
Sub-ordinated loans	7,567,192	5,910	1,494	1,494	416,879	1,273,943	882,876	4,000	4,988,000	-
Liabilities against assets subject to finance lease	993,325	252	505	738	1,516	719	720	1,440	-	-
Deferred tax liabilities	93,357,097	4,614,016	97,402	507,680	668,847	1,101,966	1,101,966	1,101,966	163,254	-
Other liabilities	390,155,871	262,726,322	53,634,367	36,625,146	18,636,899	4,316,258	5,522,039	2,892,849	5,801,991	-
Net assets	21,648,011	(187,882,352)	1,245,889	15,596,889	61,978,909	18,143,900	22,806,749	26,839,363	13,528,494	49,390,170
Share capital	13,491,563									
Reserves	3,819,133									
Share in share premium of associate	1,968,435									
Non-controlling interest	(27,570)									
Unappropriated profit	(72,693)									
Surplus on revaluation of assets - net of tax	2,469,143									
	21,648,011									

	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
Assets										
Cash and balances with treasury banks	35,056,025	15,050,513	2,212,978	214,816	446,484	-	-	-	-	20,005,512
Balances with other banks	22,722,927	19,848,749	2,667,734	6,780	-	-	-	-	-	-
Lendings to financial institutions	14,947,435	12,270,921	13,788,738	15,981,596	21,400,959	7,063,890	8,465,396	23,556,394	6,347,370	-
Investments	99,279,438	615,264	25,790,046	26,080,359	61,669,544	11,260,089	8,055,222	16,838,289	4,906,011	2,059,831
Advances	188,021,492	178,490	356,979	535,469	1,070,938	2,006,635	852,952	1,129,985	951,749	12,394,132
Fixed assets	14,552,454	1,784,900	203,902	305,852	701,967	188,159	188,159	282,239	282,239	7,469,257
Other assets	14,714,496	12,549,971	40,258,031	43,126,872	85,289,892	20,518,773	17,561,729	41,806,907	12,487,369	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
Liabilities										
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	25,988,925	1,583,546	2,753,890	15,662	4,990,000	-
Sub-ordinated loans	7,570,181	368	739	1,107	2,215	1,982	1,982	3,965	-	-
Liabilities against assets subject to finance lease	12,358	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	774,246	368	739	1,107	2,215	1,982	1,982	3,965	-	-
Other liabilities	10,091,833	5,513,330	91,809	467,759	633,304	1,075,436	1,075,436	1,075,436	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	-
Net assets	21,682,195	(148,178,587)	(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									
Non-controlling interest	-									
Surplus on revaluation of assets - net of tax	3,011,116									
	21,682,195									

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 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, Bank is using the 'Basic Indicator Approach' for calculating the capital charge for Operational Risk. However, Bank intends to move towards the 'Alternative Standardised 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 organisational 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 organisation.

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 organisation and reported to Operational Risk Management Department, are aggregated to an internally developed 'Operational Loss Database'.

As required by Basel II, Bank has categorised 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 03, 2011 has not declared any cash or stock dividend (2009: 8% cash dividend).

44 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on March 03, 2011 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. There were no significant reclassifications during the year.

Chief Executive Officer

Director

Director

Chairman

[Annexure - I]

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2010

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, 2010					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	Rana Brother Transport Co. Amat Filling Coach, Bahawalnagar	Rana Jamshaid Iqbal CNIC # 31101-4786961-1	Muhammad Iqbal	2,154	578	463	3,195	918	578	499	1,995	
2	Sehar Coaches, General Bus Stand, Bahawalpur	Zulfiqar Ahmad CNIC # 35201-1541591-1	Muhammad Sadique	2,229	678	869	3,776	1,429	678	869	2,976	
3	Anjad Shinwari Ent. Plot # L-453 Shereen Jinnah Colony #2 Clifton Karachi	Mr. Sabet Shah CNIC # 42301-5408381-7	Ziarat Shah	6,133	-	-	6,133	1,058	960	-	2,018	
4	Seven star Transport Com Shop # 9 Rehman Service Station Sheereen Jinnah Colony Clifton, Karachi	M. Hanif CNIC # 54303-2031642-5	Haji Safar Mohammad	6,842	863	-	7,705	2,642	1,458	77	4,177	
5	Venus Distributors (Pvt) Limited 28, Trans Layari, Hawksbay Road Maripur Karachi	Adnan Asad CNIC # 517-53-060996	Asad Jan Hamid	1,443	462	-	1,905	1,443	462	-	1,905	
6	Airport Limousine Services A. S. F Head Quarter Road, Behind Shell Pump off. Shahrah-e-Faisal Near C.A.A, M.T, Karachi.	Muhammad Saleem CNIC # 13503-6907712-9	Malik Duray Rehman	4,756	-	2,158	6,914	1,256	-	2,158	3,414	
		Muhammad Javed CNIC # 42201-0184092-3	Malik Duray Rehman									
			Total	23,557	2,581	3,490	29,628	8,746	4,136	3,603	16,485	

Annexure - II

Islamic Banking Business

The bank is operating 80 Islamic banking branches as at December 31, 2010 (December 31, 2009: 60 branches).

	2010	2009
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6,557,813	4,939,841
Balances with and due from financial institutions	3,863,809	7,522,132
Lendings to financial institutions	-	-
Investments - net	22,030,393	10,168,389
Advances - net	25,957,935	16,920,995
Fixed assets	1,638,634	1,552,921
Other assets	5,159,502	5,073,049
	65,208,086	46,177,327
LIABILITIES		
Bills payable	495,152	331,796
Borrowings	1,365,090	688,107
Deposits and other accounts	55,393,390	38,464,724
Sub-ordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,376	1,228
Other liabilities	3,135,883	2,845,219
	60,390,891	42,331,074
NET ASSETS	4,817,195	3,846,253
REPRESENTED BY		
Islamic Banking Fund	1,800,000	1,800,000
Exchange Equalisation Reserve	12,050	8,559
Unappropriated / Unremitted profit	2,247,807	1,277,579
	4,059,857	3,086,138
Surplus on revaluation of assets - net of tax	757,338	760,115
	4,817,195	3,846,253
Remuneration to Shariah Advisor / Board	1,500	1,500
CHARITY FUND		
Opening balance	10,808	37,575
Additions during the year	50,181	46,852
Payments / Utilization during the year	35,878	73,619
Closing balance	25,111	10,808

Annexure - II

Islamic Banking Business

The bank is operating 80 Islamic banking branches as at December 31, 2010 (December 31, 2009: 60 branches).

	2010	2009
	(Rupees in '000)	
Mark-up / return earned	4,896,987	3,373,900
Mark-up / return expensed	2,421,001	1,829,562
Net mark-up / return income	2,475,986	1,544,338
Depreciation on assets given on lease	468,483	64,515
Net mark-up / return income after depreciation	2,007,503	1,479,823
Provisions against loans and advances - net	29,664	(47,204)
Provision for diminution in value of investments - net	-	74,899
Bad debts written off directly	5,281	4,990
	34,945	32,685
Net mark-up / return income after provisions	1,972,558	1,447,138
NON MARK-UP INCOME		
Fee, commission and brokerage income	110,417	76,064
Dividend income	42,913	31,013
Income from dealing in foreign currencies	42,479	32,942
Gain on sale of securities - net	-	27,833
Unrealised gain on revaluation of investments classified as held for trading	-	-
Other income	236,348	127,304
Total non mark-up income	432,157	295,156
	2,404,715	1,742,294
NON MARK-UP EXPENSES		
Administrative expenses	1,432,771	1,037,545
Other charges	1,991	3,201
Total non mark-up expenses	1,434,762	1,040,746
PROFIT BEFORE TAXATION	969,953	701,548
Unappropriated profit brought forward	1,277,579	575,961
Transferred from surplus on revaluation of fixed assets - net of tax	275	70
Profit available for appropriation / unremitted profit	2,247,807	1,277,579

[Combined Pattern of CDC and Physical Share Holdings] As at December 31, 2010

Number of Share Holders	Shareholding			Number of Shares Held
	From		To	
1,559	1	-	100	67,861
3,147	101	-	500	945,285
3,324	501	-	1,000	2,551,404
8,401	1,001	-	5,000	23,490,392
3,136	5,001	-	10,000	22,690,773
1,108	10,001	-	15,000	13,589,358
498	15,001	-	20,000	8,855,858
300	20,001	-	25,000	6,813,330
195	25,001	-	30,000	5,470,960
138	30,001	-	35,000	4,550,648
73	35,001	-	40,000	2,764,920
76	40,001	-	45,000	3,275,053
94	45,001	-	50,000	4,611,244
46	50,001	-	55,000	2,419,551
66	55,001	-	60,000	3,794,046
26	60,001	-	65,000	1,625,477
40	65,001	-	70,000	2,732,044
33	70,001	-	75,000	2,413,546
20	75,001	-	80,000	1,562,973
22	80,001	-	85,000	1,831,554
24	85,001	-	90,000	2,113,165
12	90,001	-	95,000	1,104,629
47	95,001	-	100,000	4,681,589
8	100,001	-	105,000	819,130
16	105,001	-	110,000	1,723,653
16	110,001	-	115,000	1,805,418
10	115,001	-	120,000	1,178,956
9	120,001	-	125,000	1,102,535
7	125,001	-	130,000	896,875
2	130,001	-	135,000	261,566
12	135,001	-	140,000	1,648,775
6	140,001	-	145,000	849,731
17	145,001	-	150,000	2,522,612
5	155,001	-	160,000	787,755
6	160,001	-	165,000	984,540
7	165,001	-	170,000	1,177,871
4	170,001	-	175,000	694,062
3	175,001	-	180,000	536,062
3	180,001	-	185,000	549,354
2	185,001	-	190,000	371,002
6	190,001	-	195,000	1,156,160
12	195,001	-	200,000	2,388,358
5	200,001	-	205,000	1,013,599
12	205,001	-	210,000	2,490,693
3	220,001	-	225,000	674,831
5	225,001	-	230,000	1,137,898
1	230,001	-	235,000	234,902
2	235,001	-	240,000	479,413
1	240,001	-	245,000	244,629
1	245,001	-	250,000	250,000
6	250,001	-	255,000	1,519,173
3	255,001	-	260,000	772,884
5	260,001	-	265,000	1,309,824
2	265,001	-	270,000	535,722

Number of Share Holders	From	Shareholding	To	Number of Shares Held
1	270,001	-	275,000	274,873
4	275,001	-	280,000	1,108,489
1	285,001	-	290,000	288,000
1	290,001	-	295,000	291,282
8	295,001	-	300,000	2,385,698
2	300,001	-	305,000	601,760
3	305,001	-	310,000	923,927
2	315,001	-	320,000	632,420
2	325,001	-	330,000	652,841
1	330,001	-	335,000	334,288
4	335,001	-	340,000	1,349,430
2	345,001	-	350,000	695,933
1	355,001	-	360,000	355,100
2	360,001	-	365,000	724,841
1	365,001	-	370,000	370,000
3	370,001	-	375,000	1,119,148
3	395,001	-	400,000	1,198,250
1	400,001	-	405,000	404,630
1	405,001	-	410,000	410,000
1	425,001	-	430,000	429,202
1	435,001	-	440,000	438,468
1	440,001	-	445,000	441,000
5	445,001	-	450,000	2,248,155
1	450,001	-	455,000	450,392
1	455,001	-	460,000	459,562
2	465,001	-	470,000	932,658
2	470,001	-	475,000	945,037
7	495,001	-	500,000	3,500,000
1	505,001	-	510,000	506,250
2	510,001	-	515,000	1,028,090
2	515,001	-	520,000	1,034,388
2	530,001	-	535,000	1,065,544
3	540,001	-	545,000	1,631,238
1	545,001	-	550,000	546,071
1	555,001	-	560,000	557,426
2	560,001	-	565,000	1,125,712
3	570,001	-	575,000	1,720,804
2	575,001	-	580,000	1,151,366
2	595,001	-	600,000	1,198,145
1	600,001	-	605,000	604,350
3	605,001	-	610,000	1,819,333
2	625,001	-	630,000	1,258,887
1	630,001	-	635,000	632,096
1	645,001	-	650,000	650,000
1	665,001	-	670,000	666,319
1	675,001	-	680,000	679,494
1	680,001	-	685,000	684,558
1	695,001	-	700,000	695,307
1	700,001	-	705,000	700,266
1	705,001	-	710,000	706,638
2	720,001	-	725,000	1,447,875
2	745,001	-	750,000	1,500,000
1	765,001	-	770,000	769,072
1	770,001	-	775,000	770,231

Number of Share Holders	From	Shareholding	To	Number of Shares Held
1	805,001	-	810,000	807,795
1	815,001	-	820,000	819,159
1	835,001	-	840,000	837,178
1	840,001	-	845,000	843,750
1	870,001	-	875,000	871,196
1	895,001	-	900,000	900,000
2	900,001	-	905,000	1,808,571
1	910,001	-	915,000	915,000
1	920,001	-	925,000	921,759
1	960,001	-	965,000	963,410
1	980,001	-	985,000	981,937
1	990,001	-	995,000	992,500
2	995,001	-	1,000,000	2,000,000
1	1,020,001	-	1,025,000	1,024,306
2	1,045,001	-	1,050,000	2,092,262
1	1,050,001	-	1,055,000	1,051,288
1	1,060,001	-	1,065,000	1,063,461
1	1,080,001	-	1,085,000	1,084,826
1	1,100,001	-	1,105,000	1,100,563
1	1,120,001	-	1,125,000	1,120,837
1	1,150,001	-	1,155,000	1,153,376
1	1,200,001	-	1,205,000	1,205,000
2	1,245,001	-	1,250,000	2,498,766
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	1,395,001	-	1,400,000	1,396,394
1	1,400,001	-	1,405,000	1,403,122
1	1,415,001	-	1,420,000	1,415,714
1	1,430,001	-	1,435,000	1,435,000
1	1,565,001	-	1,570,000	1,569,172
1	1,645,001	-	1,650,000	1,645,229
1	1,665,001	-	1,670,000	1,668,141
1	1,685,001	-	1,690,000	1,688,186
1	1,695,001	-	1,700,000	1,700,000
1	1,765,001	-	1,770,000	1,765,900
1	1,955,001	-	1,960,000	1,956,200
1	1,995,001	-	2,000,000	2,000,000
1	2,200,001	-	2,205,000	2,204,683
1	2,245,001	-	2,250,000	2,250,000
1	2,255,001	-	2,260,000	2,256,899
1	2,330,001	-	2,335,000	2,330,281
1	2,390,001	-	2,395,000	2,391,248
1	2,470,001	-	2,475,000	2,475,000
1	2,545,001	-	2,550,000	2,545,600
1	2,600,001	-	2,605,000	2,600,199
1	2,650,001	-	2,655,000	2,655,000
1	2,800,001	-	2,805,000	2,803,155
1	2,825,001	-	2,830,000	2,826,800
1	2,960,001	-	2,965,000	2,961,925
1	2,995,001	-	3,000,000	3,000,000
1	3,145,001	-	3,150,000	3,147,000
1	3,230,001	-	3,235,000	3,235,000
1	3,260,001	-	3,265,000	3,262,300

Number of Share Holders	From	Shareholding	To	Number of Shares Held
1	3,350,001	-	3,355,000	3,352,360
1	3,385,001	-	3,390,000	3,387,603
1	3,530,001	-	3,535,000	3,531,369
1	3,680,001	-	3,685,000	3,683,029
1	4,020,001	-	4,025,000	4,021,538
1	4,215,001	-	4,220,000	4,220,000
1	4,315,001	-	4,320,000	4,318,127
1	4,620,001	-	4,625,000	4,620,970
1	4,845,001	-	4,850,000	4,850,000
1	4,945,001	-	4,950,000	4,947,430
1	6,350,001	-	6,355,000	6,352,691
1	6,535,001	-	6,540,000	6,536,668
1	6,605,001	-	6,610,000	6,605,147
1	7,140,001	-	7,145,000	7,142,857
1	7,145,001	-	7,150,000	7,150,000
1	7,550,001	-	7,555,000	7,550,121
1	7,745,001	-	7,750,000	7,749,000
1	7,935,001	-	7,940,000	7,938,500
1	8,600,001	-	8,605,000	8,600,060
1	8,655,001	-	8,660,000	8,657,794
1	9,345,001	-	9,350,000	9,347,000
1	11,825,001	-	11,830,000	11,825,818
1	11,980,001	-	11,985,000	11,981,824
2	12,515,001	-	12,520,000	25,033,788
1	13,495,001	-	13,500,000	13,500,000
1	14,650,001	-	14,655,000	14,653,068
1	15,760,001	-	15,765,000	15,762,469
1	17,480,001	-	17,485,000	17,482,742
1	19,125,001	-	19,130,000	19,128,259
1	19,095,001	-	19,100,000	19,096,875
1	25,685,001	-	25,690,000	25,687,757
1	31,305,001	-	31,310,000	31,308,809
1	32,145,001	-	32,150,000	32,149,947
1	35,885,001	-	35,890,000	35,888,098
1	36,435,001	-	36,440,000	36,438,064
1	36,690,001	-	36,695,000	36,694,424
1	53,965,001	-	53,970,000	53,966,250
1	55,040,001	-	55,045,000	55,044,258
1	68,805,001	-	68,810,000	68,805,322
1	75,685,001	-	75,690,000	75,687,166
2	103,205,001	-	103,210,000	206,415,966
1	119,260,001	-	119,265,000	119,263,433
22,789				1,349,156,250

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	22,479	907,858,583	67.29
2	Joint Stock Companies	167	118,971,561	8.82
3	Financial Institutions	44	108,538,103	8.04
4	Mutual Fund	21	83,667,851	6.20
5	Investment Companies	16	9,054,211	0.67
6	Insurance Companies	16	3,060,854	0.23
7	Charitable Trusts	4	358,170	0.03
8	Leasing Companies	3	190,041	0.01
9	Modarabas	4	79,044	0.01
10	Cooperative Societies	1	12,453	0.00
11	Others	34	117,365,379	8.70
	Total	22,789	1,349,156,250	100.00

Shareholder's category	Number of shareholders	Number of shares held	Category wise no. of shares held	Percentage
1- Associated Companies	1		400,000	0.03
Alfalah Insurance Company Limited		400,000		0.03
2- NIT & ICP	2		4,966,718	0.37
National Bank of Pakistan - Trustee NI(U)T Fund		4,947,430		0.37
National Investment Trust		19,288		0.00
3- Directors & Chief Executive Officer	7		239,606,962	17.76
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan , Director		135,357,930		10.03
Mr. Abdulla Nasser Hawaileel Al Mansoori , Director		96,803,474		7.18
Mr. Abdulla Khalil Al Mutawa , Director		11,331		0.00
Mr. Khalid Mana Saeed Al Otaiba , Director		67,457		0.00
Mr. Ikram Ul Majeed Sehgal , Director		3,352,360		0.25
Mr. Nadeem Iqbal Sheikh , Director		3,387,603		0.25
Mr. Sirajuddin Aziz , Director / CEO		626,807		0.05
4- Executives	368		28,716,486	2.13
5- Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	101		199,283,386	14.77
Shareholders holding ten percent or more shares				
Total Paid up Capital	1,349,156,250	Shares		
10% of the Paid Up Capital	134,915,625	Shares		
		Holding	%	
H.H. Nahayan Mabarak Al Nahayan		150,572,242	11.16	
H.H. Hamdan Bin Mubarak Al Nahayan		135,357,930	10.03	
Trading in shares by Directors, CEO, CFO & Company Secretary and their spouses		Shares Purchased	Shares Sold	
		2010	2010	
Mr. Sirajuddin Aziz , Director / CEO		50,000	-	
Mrs. Nasim Fatima (Spouse of Mr. Hamid Ashraf, Company Secretary)		-	77,524	

[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) 32401621-5
Fax : 32401627

Clifton Branch

Plot No. BC-6, Block-9, Clifton,
Phone : (021) 35833778-82, 35309075-8
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, Mohammad Shah Street
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, Corner
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) 32582990-1, 32582116
Fax : 32582113

North Karachi Industrial Area Branch

Sector 12-B,
North Karachi Industrial Area,
Opp: Police Station Gabol Town.
Phone : (021) 36962700-7
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,
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 & 67
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
Tauheed Commercial Phase V,
Defence Housing Authority.
Phone : (021) 35302639-44
Fax : 35302637

PECHS Branch

Shop No. 3, 154-S, Block-2, P.E.C.H.S.
Phone : (021) 34535861-2, 34538423-24
Fax : 34314221, 34390090

Federal 'B' Area Branch

C-28, Block - 13, F. 'B' Area, Shahrah-e-Pakistan.
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

Survey # 67, Sheet # M.R.1, Opp. Khorri Garden
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, DBCHS,
Shabbirabad, 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,
Quality Godown, 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

Plot No. 29/10/1, Sector 5D, Landhi Township
Phone : (021) 35034451-3
Fax : 35030875

Gulshan Chowrangi Branch

Sani Arcade, Block- 3, Gulshan-e-Iqbal
Phone : (021) 34978252, 34993792
Fax : 34985729

Garden East Branch

Silver Jubilee Centre,
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, & 4/4-A,
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

Plot No. 118-119-C/1, K.D.A. Scheme No. 36,
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 : 36902210

Jamshed Road Branch

Ashfaque Plaza, Jamshed Quarters,
New M.A. Jinnah Road, Karachi
Phone : (021)-34860794-95 Fax : 34860793

Gulshan-e-Hadeed Branch

A-329 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 : 2205794

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
Ispahani Road, Karachi
Phone : 34974484-6 Fax : 021-34974487

Hussainabad Branch

R-471, Block 2, KDA Scheme 16,
Hussainabad, F.B. Area Karachi
Phone : (021) 36337646-47 Fax : 36337648

DHA Phase II Ext.

Shop No.3 & 4, Plot No. 44-C- 24th Commercial Street,
DHA Phase II Extension, Karachi
Phone : (021) 35312152-54 Fax : 35312155

Shireen Jinnah Colony

LS-27 & 28, Shireen Jinnah Colony, Block 1, KDA Scheme
No. 5, Clifton, Karachi
Phone : (021) 35877060, 35877058
Fax : 35877059

Bombay Bazar Branch

Plot No. B.R.3/11, Faiza Palace, Bunder Quarters,
Bombay Bazar, Karachi
Phone : 021-32437917-19
Fax : 021-32437481

Garden West Area Branch

Amin Center, Plot No. 130/I, Garden West, Karachi
Phone : 021-32231005-7
Fax : 021-32231003

Khayaban -e- Shamsheer

Plot No. 31, Stadium Lane No. 2, DHA Phase V, Karachi
Phone : 0321-2175625

Khayaban-e-Muslim Branch

Plot No. 36-C, Khayaban-e-Muslim,
Phase VI, DHA, Karachi
Phone : 021-35843263-65
Fax : 021-35842073

Pakistan Chowk Branch

Zubaida Manzil, Serai Quarters, Kutchery Road,
Pakistan Chowk, Karachi
Phone : 021-32215703-5
Fax : 021-32215706

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

Latifabad Branch

4/D, Block-D, Unit no. 7, Opposite St. Elizabeth Hospital,
Main Road, Latifabad, Hyderabad
Tel: 022-3861562-64 Fax: 022-3861561

Qasimabad Branch

Phase I, Main Qasimabad Road, Near PTCL Exchange,
Qasimabad, Hyderabad
Tel: 022-2670592-94 Fax: 022-2670591



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

TANDO ADAM

Plot No. A / 06 & 07, Hyderabad Road, Tando Adam
Phone: 0235-576042-44 Fax: 0235-576043

SANGHAR

CS # 124/4 Ward-A, Nawabshah Road, Sanghar
Phone: 0235-542500-01 Fax: 0235-542503.

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

Sirki Road Quetta

Berach Market Chowk, Sirki Road, Quetta
Phone (081) 2440137 - 38 Fax : 2440136

CHAMAN

Trunch Road, Chaman, Balochistan.
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 Umerkot 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, Allama Iqbal Town.
Phone : (042) 35432961-5 Fax : 35432960

Shah Alam Market Branch

2035-D, Hilal-e-Ahmar Health Complex,
Near Fawara Chowk, 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, Cantt.
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

278-G.T. Road, Baghbanpura, Lahore.
Phone : (042) 36844006-09 Fax : 36844010

Ravi Road Branch

13 Ravi Road.
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, Plot # 4, 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

Samanabad - Lahore

Plot # 91 - Main Road, Samanabad, Lahore
Phone : (042) 37590062-3
Fax : (042) 37590064

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

Karim Block Allama Iqbal Town, Lahore

502-Ali Plaza, Karim Block Market, Allama Iqbal Town,
Lahore
Phone : (042) 35425528, 30, 31
Fax : (042) 35425529

Ferozpur Road Branch

18-KM Main Ferozpur Road
Phone : (042) 35807812-14 Fax : 35807813

Shahdara Branch

Main Shaikhupura Road, Shahdara Chowk
Phone : (042) 37900290 Fax : 37900291

Walton Road Branch

E-28/A, Main Walton Road
Phone : (042) 6627004-7
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 : 37637303

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

Chuburgi

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 -
Guldasth Town Branch**

Zarar Shaheed Road, Guldasth Town, Lahore
Phone : (042) 36635969
Fax : 36635968

EME Society Branch

50-A, Mohafiz Town,
Near EME Society Main Gate, Lahore
Phone : (042) 37516325 Fax : 0423-37516327

Islampura Branch

30-A, Main Sanda Road, Atif Chowk, Islampura, Lahore
Phone : 042-37117739-40
Fax : 042-37117738

Karim Block Allama Iqbal Town Branch

502-Ali Plaza, Karim Block Market,
Allama Iqbal Town, Lahore
Phone : 042-35425528, 30, 31
Fax : 042-35425529

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

F-11 Markaz Branch

Plot No.28, Al Karam Centre, F-11 Markaz, Islamabad
Phone : (051) 2228127-28 Fax : (051) 2228129

Stock Exchange Branch

Office No. 5, 55-B,
Islamabad Stock Exchange Tower, Jinnah Avenue
Phone : (051) 2894071-74 Fax : 2894075

F-10 Markaz Branch

4-D, Urfi Centre, Markaz F-10
Phone : (051) 2809705-08 Fax : 2809719

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) 4438823-5 Fax : 4438828

Bhara Kahu Branch

Main Muree Road, Bhara Kahu
Phone : (051) 2233635, 2233637-9 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

COMSATS Institute of Information Technology (CIIT) Branch

Chak Shahzad, Park Road, Islamabad
Phone: 051-4365103-4

RAWALPINDI**The Mall Branch**

8, The Mall, Saddar
Phone : (051) 5700038-40 Fax : 5700042, 5700029

Satellite Town Branch

B/20, North Star Plaza, Satellite Town, Muree Road.
Phone : (051) 4424080-6 Fax : 4424087

Jinnah Road Branch

A-351, Jinnah Road (Old City Saddar Road).
Phone : (051) 5775325-8 Fax : 5775324

Rawat

Ground Floor, Riaz Shah Bukhari Plaza, Main G. T Road
Rawat, Tehsil & Distt. Islamabad
Phone : (0514) 611906 Fax : (0514) 611903

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, Muslim 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

Adyala Road Branch

Main Adyala Road, Rawalpindi
Phone : 051-5570078-79 Fax : 051-5570080

Baghsardaran Branch

12 Ghazni Colony, Bagh Sardaran, Rawalpindi
Phone : 051-5778592-93 Fax : 051-5778594

Bohar Bazar

C 211-215, Bohar Bazar, Rawalpindi
Phone : 05811-451914, 05811-451910
Fax : 05811-451926

Faizabad Branch

Shakeel Plaza, Faizabad, Rawalpindi
Phone : 051-4575846-47 Fax : 051-4575849

FATEH JANG

Rawalpindi Road, Fateh Jang,
Phone : (0572)-210837-38 Fax : 210839



TAXILA

Kohistan Complex, G. T. Road
Phone : (0514) 534012-15 Fax : 535015

Mohra Chowk

Mouza Lab Thatoo, Mohra Chowk,
Hazara Road, Tehsil Taxila, Distt. Rawalpindi
Phone : 0514-590019, 590021-22
Fax : 0514-590020

WAH CANTT

4-1/100, Officers Colony, The Mall.
Phone : (0514) 539425-28
Fax : (0514) 511980

FAISALABAD

Main Branch

Ground Floor, State Life Building, Liaqat Road.
Phone : (041) 2617436-9
Fax : (041) 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

Susan Road Branch

P-98/22, Main 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 - 2 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

Bhowana Bazar

P-141, Main Gole Bhowana Bazar, Faisalabad.
Phone : (041) 2627357
Fax : (041) 2540706

PESHAWAR

Peshawar Main Branch

6-B, Islamia Road Peshawar Cantt
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) 5822902-7 Fax : 5822908

G.T. Road Branch

1045-1046, Hashtnagri & Industries
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, Peshawar

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
Fax : (057) 2700248

Waisa

Sadaat Market, Hazro Gondal Road, Main Bazar, Waisa,
Tehsil Hazro, District Attock
Phone : (0572) 662413-15-16 Fax : (0572) 662417

Qutba, District Attock

Alfalah Centre, Main G.T. Road,
Qutba, Kamra, Tehsil, Hazro, District Attock
Phone : (057) 2640794-95
Fax : (057) 2640796

GHOURGHUSHTI

Timber Market, Main Mandi Road,
Ghourghushti, Tehsil Hazro
Phone : (057) 2872918-19
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, 621008
Fax : 624644

MULTAN**Abdali Road Branch**

62-A, Abdali Road, Multan Cantt.
Phone : (061) 4546792-6
Fax : 4781506

Vehari Road Branch

618/B, Vehari Road, Near Grain Market
Phone : (061) 6244492-95
Fax : 6244496

Hussain Agahi Branch

Hussain Agahi Road
Phone : (061) 4577242, 457725
Fax : 4577232

Chowk Shaheedan Branch

Akbar Road, Chowk Shaheedan
Phone : (061) 4588611, 4588807 Fax : 4579024

Shahrukn-e-Alam Branch

230-A & 251-A, Main Road, Shahrukn-e-Alam
Phone : (061)-6784201-2 Fax : 6784205

Bosan Road Branch

262-B, Gulgasht Colony, Bosan Road
Phone : (061) 6210364-5 Fax : 6210363

Lodhran Branch

27-2, Ward # 6, Main Multan Road
Phone : (0608) 361700-363001-2 Fax : 363005

Quaid-e-Azam Road Branch

Plot No. 1009/I, Quaid-e-Azam Road, Multan Cantt.
Phone : 0321-6323231 Fax : 061-4784472

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

Shahabpura Branch

Malik Plaza, Shahabpura Road, Sialkot
Phone : 052-3242671-79 Fax : 052-3242680

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) 3730396-99 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

Satellite Town Branch

302-A, Satellite Town, Sargodha
Phone : 048-3226647 Fax : 048-3226648

CHAK NO. 111 SB

Pull III, Main Faisalabad Road,
District Sargodha
Phone : (048) 3791158, 3792066 Fax : 3791169

GUJRAT

G.T.S. Chowk, G.T. Road, Gujrat
Phone : (053) 3530069-3530219 Fax : 3530319

Kutchery Bazar Branch

Kutchery Road, Opp. Sabzi Market, Gujrat
Phone : 053-3517995-98
Fax : 053-3517999

MARDAN

Plot No. 11, Survey No. 128, The Mall, 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

Al- Adeel Plaza, Gujranwala Road
Phone : (052) 6616834-35 Fax : 6619650

HAFIZABAD

Sagar Road, Hafizabad
Phone : (0547) 540801-3, 540808 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) 376020-27 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

Bunglow No.67, Kazam Kamal Road.
Phone : (0544) 610162, 610172, 610182
Fax : 610050

MIAN CHANNU

Ghazi Morr, G.T. Road.
Phone : (065) 2665301-3 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



Tank Adda

Kohinoor Super Shopping Centre, Block-K, Circular Road, Dera Ismail Khan
Phone : 0966-720917

OKARA

Plot No. 25-28, M. A. Jinnah Road
Phone : (0442) 550419-22 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) 522791-93-96 Fax : 522797

Main Bazar Branch

T-40 & T-41, Muslim Plaza, Main Bazar, Kohat
Phone : 0922-522007-08 Fax : 0922-522009

SADIQABAD

28-29 D, Allama Iqbal Road.
Phone : (068) 5802501-3 Fax : 5802704

MANDI BHAUDDIN

Kutchery Road, Mandi Bahauddin
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, 2448075
Fax : 2441071

KHARIAN

1, Rizwan Plaza, Main G.T. Road
Phone : (053) 7536241-42 Fax : 7536245

GILGIT

Shahrah-e-Quaid-e-Azam,
Near Radio Station, Jutial, Gilgit
Phone : (05811) 51904-07 Fax : 51903

NLI Market, Gilgit

Ghulam Haider Block, NLI Market, Gilgit
Phone : 05811-451914, 05811-451910
Fax : 05811-451926

CHAKWAL

City Trade Centre, Tehsil Chowk, Rawalpindi Road
Phone : (0543) 555206-210 Fax : 555220

BHALWAL

451, Liaqat Shaheed Road, Bhalwal
Phone : (048) 6644863 - 6644364
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 : 300567

Oghi Branch

Main Bazar, District Mansehra
Phone: (0997) 321949 Fax: (0997) 321357

BANNU

Gowshala Road, Fatima Khel
Phone : (0928) 614634-36 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) 3572106, 3570763
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

BAHAWALNAGAR

Shop # 6, Ghallah Mandi, Bahawalnagar
(063) 2272005-7 (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) 723760 Fax: (0454) 723758

Mandi Quaidabad Branch

Plot # 156/1, Block-D,
Railway Road, District Khushab
Phone : (0454) 880056-58
Fax : 880057

MANDI FAIZABAD

Main Jaranwala Road, Mandi Faizabad
Phone: (056) 2881032, 2201600
Fax: (056) 2882086

Nankana Sahib Branch

53-Grain Market
Phone : (056) 2877574-5 Fax : 2877577

MIANWALI

Watta Khel Chowk, Sargodha Road, Mianwali
Phone : (0459) 237794-6, Fax : 237791

BHERA

Property No. 12/302, Mohalla Ali Bhutta
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

Kuthcery 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) 411556-58 Fax : 411417

BATTAGRAM

Opposite D.H.Q. Hospital,
Shahrah-e- Resham
Phone : (0997) 310222 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

Kotli, AJ&K

Aashiq Hussain Plaza, Ground Floor, Bank Road, Kotli,
Azad Jammu & Kashmir
Phone : (05826) 448393-94
Fax : (05826) 448395

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

PHALIA

Hailan Road, Phalia, Tehsil Phalia,
District Mandi Bahauddin
Phone: 0546-566051 Fax: 0546-566054

CHARSADDA

Tangi Charsadda Road, Opposite Ghafoor Market,
Charsadda Bazar, Charsadda
Phone: 091-6510013-14, 6511007
Fax: 091-6512002

CHILLAS

DC Chowk, Chillas, District Diamer Giligt-Baltistan
Phone: 05812-450475-76
Fax: 05812-450477

JAMPUR

Opposite TMO Office, Rajanpur Road,
Jampur, District Rajanpur
Phone: 0604-567136-38
Fax: 0604-567135

LAYYAH

Chubara Road, Near Layyah Minor, Layyah
Phone: 0606-413525-27
Fax: 0606-410010

MUZAFFARABAD

Tanga Stand, Muzaffarabad, AJK
Phone: 05822-920982-4
Fax: 05822-920985

NOWSHERA

Taj Building, G.T. Road, Nowshera
Phone: 0923-611697 Fax: 0923-611425

QABOOLA

Rana Ghulam Qadir Market, Main Bazar,
Qaboola, Tehsil Arifwala, District Pakpattan
Phone: 0457-851130-32 Fax: 0457-851129

RAWAT

Ground Floor, Riaz Shah Bukhari Plaza,
Main G. T Road Rawat, Tehsil & Distt. Islamabad
Phone: 0514-611906
Fax: 0514-611903



RENALA KHURD

Plot No. 8, Welcome Road,
Renala Khurd, District Okara
Phone: 044-2636340, 2636350
Fax: 044-2636360

SIBI

M.A. Jinnah Road, Sibi
Phone: 0833-500206, 500208 Fax: 0833-500209

WAISA

Sadaat Market, Hazro Gondal Road, Main Bazar, Waisa,
Tehsil Hazro, District Attock
Phone: 0572-662413-15-16 Fax: 0572-662417

YAZMAN

Chak No. 56-DB, Main Bahawalpur Road,
Yazman, District Bahawalpur
Phone: 062-2703021-22 Fax: 062-2703024

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, 34154118, 34750445
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

Nazimabad Branch

Ground Floor, Plot # 25, Row # 1, Sub Block A, Block
#1, Nazimabad, Karachi
Phone: 021-36727802 Fax: 021-36619538

Saddar Branch

Plot # 292 & 266, Fort Mansion, Artillery Maidan
Quarters, Regal Chowk, Saddar, Karachi
Phone: 021-35639081 Fax: 021-35639086

Clifton - Karachi

Plot # D-69 Block 7, KDA Scheme
No.5 Kehkashan Clifton, Khi.
Phone : (021) 35869271 Fax : 021-35869270

Shershah Branch

D-175, Modern Godown, Shershah, SITE, Karachi
Phone : 021-32588312
Fax : 021-32588314

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, Sheikhpura Road,
Phone : (042) 37902536, 37902539
Fax : 37902540

Shah Alam, Lahore

139-Main Circular Road, Chowk Shah Alam
Phone (042) 37374081-5 Fax : 37374086

Azam Cloth Market Branch

Property No. F-1185, Karachi Block,
Near Masjid Farooq-e-Azam,
Azam Cloth Market, Lahore
Phone : 042-37662845-8
Fax : 042-37651672

College Road Township Branch

39- Civic Centre, College Road, Township, Lahore
Phone : 042-35125080
Fax : 042-35125081

Daroghawala Branch

Plot No.327, G.T. Road, Daroghawala, Lahore.
Phone : 042-36533491-4
Fax : 042-36533495

Kahna Nau Branch

23 - Km Ferozepur Road, Kahna Nau, Lahore
Phone : 042-35271601-02
Fax : 042-35271603

Misri Shah Branch

455-Main Shad Bagh Road, Misri Shah Lahore.
Phone : 042-37612821-5 Fax : 042-37612826

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

I-9 Markaz, Islamabad

Plot # 3-J, Sector I-9, Markaz Islamabad
Phone (051) 4858562-64 Fax : 4858560



Bahria Town Branch

Plot No. 9, River View Road, Mini River View,
Commercial Mall, Phase VII, Bahria Town, Islamabad
Phone : 051-5707131-2 Fax : 051-5707130

DHA Phase II, Branch

Street No. JBW East, Sector A,
Plaza One, DHA Phase II, Islamabad
Phone : 051-4493714 Fax : 051-4493715

E-II, Branch

Plot No. 1 & 2, Main Double Road, Federation of
Employees Cooperative Housing Society,
Sector E-11, Islamabad Phone : 051-2515491

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

Khayaban-e-Sir Syed Branch

Saggo Centre, Plot No. 5-B, Sector II, Site II,
Main Double Road, Khayaban-e-Sir Syed, Rawalpindi
Phone : 051-4834630 Fax : 051-4834629

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

Gulberg Road, Branch

310, Block-A, Gulberg Road,
Opposite National Hospital, Faisalabad
Phone : 041-2605645-50 Fax : 041-2605644

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

262-B, Gulgosht Colony
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,
35-B Model Town
Phone : (081) 2838932, 2832130 Fax : 2899012

Masjid Road Branch

Plot No. 396, 397 & 398, Masjid Road, Quetta
Phone : 081-2866548 Fax : 081-2866552

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) 344723-6 Fax : 344736

Gujrat Branch

Zaib Plaza, Rehman Shaheed Road
Phone : (053) 3609501-3 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

Khushab Branch

Shaheryar Market, Near New Bus Stand,
Mianwali Road, Khushab
Phone : 0454-711200-711722 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

Bahawalpur Branch

12-B, Model Town-B, Bahawalpur
Phone : 0622-889913-15 Fax : 0622-889918

Kabirwala Branch

Khanewal Road, Kabirwala, Distict Khanewal
Phone : 065-2400401-03 Fax : 065-2400408

Kot Addu Branch

G.T. Road, Kot Addu, District Muzaffargarh
Phone : 066-2240176-77 Fax : 066-2240173

Shahkot Branch

Circular Road, Shahkot, District Nankana Sahib
Phone : 056-3711431-32 Fax : 056-3711437

Sukkur Branch

Plot No. B-1055, Near Jamia Masjid,
Bunder Road, Sukkur
Phone : 071-5620972-3 Fax : 071-5620974

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,
Dhanmondi, Phone : (00880) 0161-001477

AFGHANISTAN**KABUL****Kabul Branch**

410, Chahrahi-e-Sadarat, Shar-e-Nau
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)**

Suit No. 1302, Level 17,
Bahrain Financial Harbour, Tower West
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 _____
of _____, who is also a
member of the Bank, as my/our proxy to vote for me/ us, and on my/our behalf at the 19th Annual General Meeting
of the Bank to be held on 28th March 2011 and at any adjournment thereof.

As witness my/our hand this _____ day of _____, 2011

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.