



BANK ALFALAH

Annual Report 2011



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BANK ALFALAH LIMITED

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CORPORATE INFORMATION

BANK ALFALAH LIMITED

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. Atif Aslam Bajwa	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. Atif Aslam Bajwa	Chairman
Mr. Shakil Sadiq	Member
Mr. Mohammad Yousuf	Member
Mr. Zahid Ali H. Jamall	Member
Mr. Faisal Farooq	Member
Mr. A. Wahid Dada	Member
Mr. Ijaz Farooq	Member
Mr. Arfa Waheed Malik	Member
Mr. Adnan Anwar Khan	Member
Mr. Talib Rizvi	Member
Mr. Shahab Bin Shahid	Member
Mr. Abdul Rauf Danka	Secretary

Chief Operating Officer

Mr. Shakil Sadiq

Company Secretary

Mr. Mian Ejaz Ahmad

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, Pakistan.

Website

www.bankalfalah.com

NOTICE OF THE 20TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20th Annual General Meeting of Bank Alfalah Limited will be held on 29th March 2012 at 12:00 noon at Pearl Continental Hotel, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the 19th Annual General Meeting held on 28th March 2011.
2. To receive, consider and adopt the audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2011 together with Directors' Report and Auditors' Report thereon.
3. To approve as recommended by the Board of Directors, payment of cash dividend at the rate of Rs.1.75/- per share, i.e. 17.50%.
4. To appoint Auditors of the Bank for the year 2012 and fix their remuneration.

Special Business:

5. To approve the remuneration paid to the non-executive directors of the Bank for attending Board meetings and meetings of the Board Committees for the year ended December 31, 2011 and to pass the following resolution as an Ordinary Resolution:

"RESOLVED that the remuneration paid to the non-executive directors of the Bank for attending Board meetings and meetings of the Board Committees, as disclosed in notes 27 and 36 of the audited Annual Accounts of the Bank for the year ended December 31, 2011, be and is hereby approved."

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

By Order of the Board

Karachi
Dated: 8th March 2012

MIAN EJAZ AHMAD
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 be closed from 22nd March 2012 to 29th March 2012 (both days inclusive). Transfers received at the office of our Share Registrar, M/s. F. D. Registrar Services (SMC-Pvt) Limited, situated at Office No. 1108, 11th Floor, Trade Centre, I.I. Chundrigar Road, Karachi, before the close of business on 21st March 2012 will be treated in time for the purpose of above entitlement to the transferees.
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, Office No. 1108, 11th Floor, Trade Centre, I.I.Chundrigar Road, Karachi, not less than 48 hours before the time of the Meeting.
5. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC) are requested to bring their original Computerized National Identity Card (CNIC) alongwith participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited alongwith the Form of Proxy with our Share Registrar as per paragraph No. 4 above. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
6. Shareholders are requested to notify change in their address, if any, to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.

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

Pursuant to Prudential Regulation G-1 (C), the Board of Directors by Resolution dated 24th August 2011 decided that as a reasonable and appropriate remuneration the following sum be paid to each non-executive Director of the Bank for attending Board/Board Committee meetings held after 1st February 2011:

- A sum of US\$10,000/- to each non-executive Director for each Board meeting attended by him.
- A sum of US\$8,000/- to each non-executive Director for each Board Committee meeting attended by him.

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

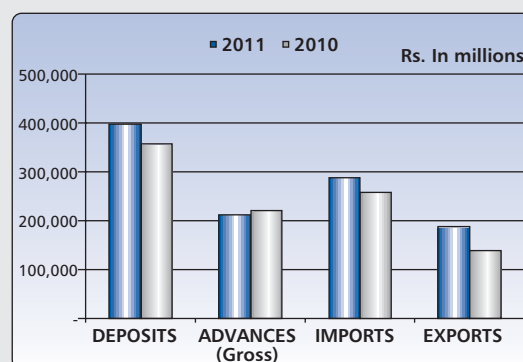
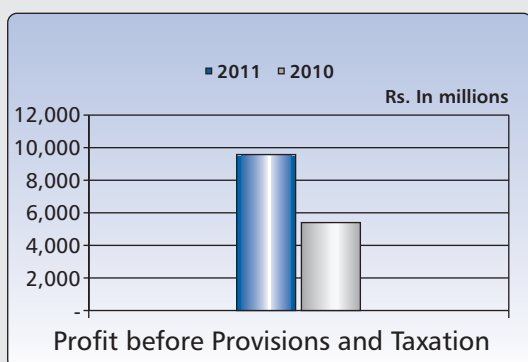
Except the Chairman, the other non-executive directors are interested to the extent stated above in the Special Business.

BANK ALFALAH LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present the audited financial statements of the Bank for the year 2011.

	2011	2010
	(Rupees in '000)	
Profit before provisions and taxation	9,757,522	5,603,624
Provision against loans and advances (net)	(1,864,510)	(2,243,687)
Provision for diminution in value of investments	(2,459,294)	(1,991,192)
	4,323,804	(4,234,879)
Profit before taxation	5,433,718	1,368,745
Taxation	(1,930,588)	(400,293)
Profit after taxation	3,503,130	968,452
Earnings per share	Rs. 2.60	Rs. 0.72



Dividend

The Directors recommend the payment of Cash dividend @ 17.5% subject to approval of the shareholders.

Operating Results

During the year the bank's profit before taxation stood at Rs. 5,433.718 million compared to Rs. 1,368.745 million for the previous year.

Bank has availed the FSV benefit. The additional profit arising from availing the FSV benefit -net of tax at year end which is not available for either cash or stock dividend to shareholders amounted to Rs. 1,997.301 million approx.

We continue to strengthen our presence in the market place and as of year end 2011, we have a network of 406 branches that includes 85 Islamic Banking branches, 7 foreign branches (5 in Bangladesh and 2 in Afghanistan) and 1 offshore banking unit in Bahrain.

Initiatives, efforts and key developments

- Watan Card and Benazir Income Support Programme

Bank Alfalah Limited (BAL) continues its active involvement in the Watan Card programme, wherein the Government of Pakistan (GoP) selected the bank as one of the partner to disburse Rs. 20,000 each to nearly 108,000 out of over one and a half million families affected by the floods in the year 2010. For this effort BAL issued VISA debit cards, called 'Watan cards', to beneficiaries identified by NADRA and GoP. BAL created 18 Centres in Punjab and Gilgit-Baltistan provinces to disburse Cards and Cash to affected persons. Additional installments of Rs. 40,000 per family are planned in 2 stages. In the second phase of the programme it will be ensured that beneficiaries have multiple opportunities to use the Debit cards. BAL's aim 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, which 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. 6.480 billion to flood affected persons.

BAL is also undertaking the massive Benazir Income Support Programme (BISP) project from February 2012 in which nearly 900,000 beneficiaries have already been allocated to BAL by GoP for distribution of Debit Cards and Cash of Rs. 1000 per month, through specially created centres in 20 Districts of all the provinces as well as Azad Jammu and Kashmir. Total disbursements through BAL in the first year are expected to exceed Rs. 10 billion.

- **Processes**

During the year the bank further streamlined the operational platform for creating efficiencies while providing optimum level of internal and external services.

Bank's drive towards centralization of back office functions has been very effective and as a result branches are able to focus on better customer services. Centralization of processes has led to improvement in turnaround times and greater customer satisfaction. Bank is now stepping ahead with its vision of creating controlled operational framework across the board by extending the frontiers of centralization in other areas notably its Islamic Arm, at a rapid pace.

- **Core banking platform implementation**

Based on bank's strategy to align its Information System setup towards Temenos (T-24) platform, branches and units are continuously and steadily migrating to this world renowned core banking platform. As at December 31, 2011, 144 branches including car and home finance hubs were working on T-24. Year 2011 also witnessed the commissioning of three data centers along with seamless placement of required hardware and applications to its designated locations.

Economic Overview

Pakistan's economy is faced with the challenges of financing its fiscal and external current account deficits. Private sector investment demand in the economy is declining. A reflection of overall low aggregate demand can be seen in the declining inflation trend, contraction in the real private sector credit and falling volume of imports. The State Bank of Pakistan has accordingly reduced its policy rate in this context. Going forward, the external account is expected to experience more pressure due to the debt servicing payments in the short term.

The banking sector of Pakistan is still in a consolidation phase due to the country's economic vulnerabilities. The sector has remained focused on deposits. Credit lending has remained subdued. The effects of the depressed economic activity, power shortages and high interest rates have significantly impacted borrowers.

The lack of diversified and sustainable financing sources has resulted in substantial borrowings from the banking system by the government. This has squeezed the availability of credit for the private sector and increased the pressure on liquidity. A declining interest rate regime, coupled with slight growth in Large-scale Manufacturing (LSM) is expected to boost economic performance by augmenting private sector credit. This expectation, however, may not materialize in the face of continuing energy shortages, unfavorable law and order conditions, an uncertain political environment, diminutive credit demand for capital investments and risk-averse lending attitude of banks toward the private sector.

Credit Rating

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

Corporate Governance

1. The Bank has implemented the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2011. 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, 2011 is:

Staff Provident Fund	Rs. 897.946 million
Staff Gratuity Fund	Rs. 560.420 million

- j) The number of Board meetings held during the year 2011 were 6 and were attended by directors as per details below:

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

* Mr. Atif Aslam Bajwa was appointed as Chief Executive Officer during the year in place of Mr. Sirajuddin Aziz. Mr. Bajwa has also been appointed as Director to fill the casual vacancy.

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

Risk Management

Pakistan's economy was adversely affected by devastating floods, power shortages, lack of external financing, political unrest and security situation. The situation demands further strengthening of our Bank's internal risk management controls through a renewed focus on special assets (delinquent loans) and portfolio management.

As the impact of the economic down turn took its toll on asset portfolios in the banking sector, financial institutions have had to further strengthen the overall risk management processes and early warning systems to be better positioned to respond to these challenges and to effectively monitor and control the resulting risk shocks. Keeping in line with its core objective, Risk Management Division continued to play its role in enhancing the risk oriented culture within the Bank. This was done through number of new initiatives in all the risk areas it looks after namely Credit Risk, Market Risk, Information Technology Security Risk and Operational Risk

In the Credit Risk Area, an end to end Loan Origination System was introduced, which entailed system based movement of credit line proposals. This aims to improve the Bank's response time to business on their credit facility requests. The Internal Rating System, introduced earlier, continued to be enhanced further. Capacity was developed in the System to highlight developing weaknesses in borrower financials and highlighting such accounts to all stakeholders for a more vigilant monitoring through automated system. This is in addition to System's current capability of quantifying counter-party risk and transaction related risk in accordance with the best practices and generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

To make the rating system more encompassing, in addition to Obligor Rating which is already in place, the bank has also developed Facility Rating System in line with SBP's guidelines. System has been implemented in Corporate & Investment Banking Group and generates rating of transactions, thus providing estimated LGD (Loss Given Default), to assist decision making authorities. Revamping of many product modules was undertaken and completed, particularly in Consumer Finance products.

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 highlighted to the competent authorities for ratification and necessary guidance.

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, automation was the focus and during the Year complete automation of its two core support modules Operational Loss Database & Key Risk Indicators was achieved through web based systems. The two modules were released in 2010. Risk & Control Self Assessment framework, implemented in 2008 to measure and monitor operational risk levels and mitigate operational losses, has continued to be strengthened.

Corporate Social Responsibility

Being the 'Caring Bank', it has been our primary focus and desire to keep exploring opportunities to continuously contribute towards the 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 preserving, upgrading and maintaining the monuments in major cities of Pakistan. Bank Alfalah has been donating generously to non-profit institutions working on improving health care and education in Pakistan. The Bank's major focus has been on supporting education, special education and relief work etc. Bank Alfalah has donated Rs. 11.720 million during the year to support various educational and other social institutions.

Subsidiary Company

Bank Alfalah Limited has 97.18% shareholding in Alfalah Securities (Private) Limited.

Future Plans

In 2012, 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.

ATIF ASLAM BAJWA

Director & Chief Executive Officer

March 01, 2012

Abu Dhabi

EIGHT YEAR FINANCIAL SUMMARY

All figures are in Rs. million

		2004	2005	2006	2007	2008	2009	2010	2011
OPERATIONAL RESULTS									
Total Income		7,140	14,515	24,416	31,822	35,789	40,743	42,238	49,666
Operating Expenses		2,679	4,344	5,918	8,289	9,957	11,002	12,754	14,215
Profit before Income Tax and Provision		2,026	2,966	3,264	6,906	5,310	5,028	5,604	9,758
Profit before Income Tax		1,654	2,563	2,566	4,536	1,795	1,016	1,369	5,434
Profit after Taxation		1,092	1,702	1,763	3,130	1,301	897	968	3,503
BALANCE SHEET									
Shareholders' Equity		4,369	6,738	10,573	13,767	14,609	19,770	19,727	22,840
Total Assets		154,835	248,314	275,686	328,895	348,991	389,070	411,484	468,174
Advances - net of provision		88,931	118,864	149,999	171,199	191,790	188,042	207,153	198,469
Investments - net of provision		35,503	57,416	56,502	88,492	75,973	99,159	113,426	166,532
Deposits and other accounts		129,715	222,345	239,509	273,174	300,733	324,760	354,015	401,248
OTHERS									
Imports		78,472	116,210	119,937	184,305	190,289	197,304	254,705	286,550
Exports		57,317	71,847	70,844	79,090	93,406	100,493	132,277	191,820
RATIOS									
Capital Adequacy	%	8.16	8.66	9.48	9.85	8.03	12.46	10.53	11.60
Profit before Tax ratio (PBT/Gross mark up income)	%	29.43	20.93	12.11	17.59	5.80	2.86	3.65	12.27
Gross spread ratio (Net mark up income/gross mark up income)	%	56.69	41.17	28.12	35.54	33.82	30.67	36.44	42.01
Income/Expense ratio	Times	2.67	3.34	4.13	3.84	3.59	3.70	3.31	3.49
Return on Average Equity (ROE)	%	26.89	30.65	20.37	25.72	9.17	5.22	4.90	16.46
Return on Average Assets (ROA)	%	0.86	0.84	0.67	1.04	0.38	0.24	0.24	0.80
Advances/Deposits Ratio	%	68.56	53.46	62.63	62.67	63.77	57.90	58.52	49.46
Cash Dividends	%	-	12.00	-	-	15.00	-	8.00	-
Stock Dividend	%	25.00	-	33.33	30.00	23.00	12.50	-	-
Book value per share excluding revaluation of Assets	Rs.	17.48	22.46	21.15	21.18	18.27	14.65	14.62	16.93
Book value per share including revaluation of Assets	Rs.	21.05	24.88	24.48	24.95	21.32	16.41	16.53	19.11
Basic Earnings per share	Rs.	3.90	3.92	2.91	3.92	1.41	0.71	0.72	2.60
No. of Employees (other than outsourced)	No.	3,352	5,218	6,543	7,371	7,584	7,462	7,571	7,580

BANK ALFALAH LIMITED

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

FOR THE YEAR ENDED DECEMBER 31, 2011

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 of the Chief Executive Officer are approved by the Board. Mr. Atif Aslam Bajwa was appointed as Chief Executive Office after Mr. Sirajuddin Aziz tendered his resignation. Mr. Bajwa has also been appointed as Director to fill the casual vacancy.
- viii) The meetings of the Board were presided over by the Chairman. The Board of Directors have met six 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) There was no new appointment of CFO, Company Secretary, or Head of Internal Audit during the year ended December 31, 2011.
- xi) The Board has setup an effective internal audit function within the Bank. The staff of Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the internal audit function on a full time basis.
- xii) 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.
- xiii) 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.
- xiv) The bank has complied with all the applicable corporate and financial reporting requirements of the Code.

- xv) 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.
- xvi) The Board has formed an audit committee. It comprises three members; all of whom are non-executive directors of the bank.
- xvii) 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.
- xviii) 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.
- xix) 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.
- xx) The Board considers and approves the related party transactions on an annual basis after review of the Board Audit Committee.
- xxi) 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

Atif Aslam Bajwa
Director & Chief Executive Officer
March 01, 2012
Abu Dhabi

AUDITORS' 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 three 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, 2011.

A. F. Ferguson & Co.

Chartered Accountants

Dated: March 06, 2012

Karachi

BANK ALFALAH LIMITED

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, 2011.

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 issued, 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. The bank has also developed detailed remediation plans to address the gaps identified and ensure implementation of planned initiatives to adequately remediate the gaps in a timely manner. Furthermore, comprehensive management testing plans and framework have also been developed for ensuring on-going operating effectiveness of key controls.

As required by the SBP, special review of work performed on the initial stages of the Bank's Internal Control Program was conducted by the External Auditors and the "Long Form Report" furnished to the management was submitted to the SBP. As per the SBP's instructions, the overall stages of the program shall again be subjected to external review, later during 2012.

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.

Atif Aslam Bajwa
Director & Chief Executive Officer
March 01, 2012
Abu Dhabi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Bank Alfalah Limited** (the bank) as at December 31, 2011 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 five 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, 2011, 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, 2012

Karachi



BANK ALFALAH LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Note	2011	2010
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	50,882,662	41,197,841
Balances with other banks	7	17,424,487	16,179,255
Lendings to financial institutions	8	7,765,407	6,497,556
Investments - net	9	166,531,768	113,425,861
Advances - net	10	198,468,512	207,152,546
Fixed assets	11	13,388,683	14,204,555
Deferred tax assets	12	421,825	-
Other assets	13	13,290,458	12,826,225
		468,173,802	411,483,839
LIABILITIES			
Bills payable	14	5,403,453	4,521,533
Borrowings	15	18,168,978	13,700,124
Deposits and other accounts	16	401,247,886	354,015,311
Sub-ordinated loans	17	7,148,693	7,567,192
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	-	115,919
Other liabilities	18	10,427,754	9,258,216
		442,396,764	389,178,295
NET ASSETS		25,777,038	22,305,544
REPRESENTED BY			
Share capital	19	13,491,563	13,491,563
Reserves		4,100,264	3,819,133
Unappropriated profit		5,248,059	2,415,860
		22,839,886	19,726,556
Surplus on revaluation of assets - net of tax	20	2,937,152	2,578,988
		25,777,038	22,305,544
CONTINGENCIES AND COMMITMENTS	21		

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

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		(Rupees in '000)	
Mark-up / return / interest earned	23	44,298,178	37,530,256
Mark-up / return / interest expensed	24	25,687,485	23,855,448
Net mark-up / interest income		18,610,693	13,674,808
Provision against loans and advances - net	10.5	1,864,510	2,243,687
Provision for diminution in the value of investments	9.21	2,459,294	1,991,192
Bad debts written off directly	10.6	5,696	25,504
		4,329,500	4,260,383
Net mark-up / interest income after provisions		14,281,193	9,414,425
Non mark-up / interest income			
Fee, commission and brokerage income		2,148,239	1,986,470
Dividend income		191,708	204,425
Income from dealing in foreign currencies		1,115,417	1,133,544
Gain on sale of securities - net	25	140,093	77,609
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	9.23	(11,053)	3,300
Other income	26	1,783,309	1,302,813
Total non mark-up / interest income		5,367,713	4,708,161
		19,648,906	14,122,586
Non mark-up / interest expenses			
Administrative expenses	27	13,832,096	12,578,080
Provision against off-balance sheet obligations	18.2	-	6,056
Provision against other assets	13.3	183,161	93,040
Other charges	28	199,931	76,665
Total non mark-up / interest expenses		14,215,188	12,753,841
		5,433,718	1,368,745
Extra ordinary / unusual items		-	-
Profit before taxation		5,433,718	1,368,745
Taxation	29		
- Current		3,263,249	842,232
- Deferred		(1,377,661)	(370,883)
- Prior years		45,000	(71,056)
		1,930,588	400,293
Profit after taxation		3,503,130	968,452
Unappropriated profit brought forward		2,415,860	2,690,728
Transferred from surplus on revaluation of fixed assets - net of tax		29,695	29,695
Profit available for appropriation		5,948,685	3,688,875
		(Rupees)	
Basic / diluted earnings per share	30	2.60	0.72

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

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	(Rupees in '000)	
Profit after taxation	3,503,130	968,452
Other comprehensive income		
Exchange differences on translation of net investment in foreign branches	(419,495)	37,474
Comprehensive income - transferred to statement of changes in equity	3,083,635	1,005,926
Components of comprehensive income not reflected in equity		
Surplus / (Deficit) on revaluation of available for sale securities - net of tax	387,859	(437,483)
Total comprehensive income	3,471,494	568,443

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

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,433,718	1,368,745
Less: Dividend income		(191,708)	(204,425)
		5,242,010	1,164,320
Adjustments			
Depreciation	27	1,690,968	1,620,372
Amortisation	27	182,816	172,949
Provision against loans and advances - net	10.5	1,864,510	2,243,687
Provision for diminution in value of investments	9.21	2,459,294	1,991,192
Provision against off-balance sheet obligations	18.2	-	6,056
Provision against other assets	13.3	183,161	93,040
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	9.23	11,053	(3,300)
Bad debts written-off directly	10.6	5,696	25,504
Gain on sale of fixed assets - net	26	(16,291)	(21,883)
Charge for defined benefit plan	27	230,502	145,379
		6,611,709	6,272,996
		11,853,719	7,437,316
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,394,400)	9,513,386
Held for trading securities		(10,151,080)	(778,666)
Advances		6,813,828	(21,379,299)
Other assets (excluding tax recoverable and dividend receivable)		(919,361)	1,626,882
		(8,651,013)	(11,017,697)
Increase / (decrease) in operating liabilities			
Bills payable		881,920	755,389
Borrowings		4,441,847	(6,953,797)
Deposits and other accounts		47,232,575	29,255,559
Other liabilities		569,202	(754,626)
		53,125,544	22,302,525
		56,328,250	18,722,144
Gratuity paid		(230,502)	(145,379)
Income tax paid		(1,822,835)	(464,722)
Net cash generated from operating activities		54,274,913	18,112,043
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(57,100,559)	(16,119,992)
Net investments in held to maturity securities		12,918,897	816,817
Investment in associated companies		103,196	196,804
Investment in subsidiary company		(750,000)	-
Dividend income received		209,666	192,285
Investments in fixed assets		(1,069,044)	(1,533,659)
Proceeds from sale of fixed assets		27,423	42,494
Net cash used in investing activities		(45,660,421)	(16,405,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated loans		(418,499)	(2,989)
Dividend paid		-	(1,079,325)
Net cash used in financing activities		(418,499)	(1,082,314)
Exchange difference on translation of the net investments in foreign branches		(419,495)	37,474
		7,776,498	661,952
Increase in cash and cash equivalents		62,150,999	61,489,047
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year	31	69,927,497	62,150,999

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

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Share capital	Statutory reserve *	Exchange translation reserve	Unappropriated profit	Total
	(Rupees in '000)				
Balance at January 1, 2010	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
Changes in equity for 2011					
Comprehensive income for the year ended December 31, 2011	-	-	(419,495)	3,503,130	3,083,635
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	29,695	29,695
Transfer to statutory reserve	-	700,626	-	(700,626)	-
Balance at December 31, 2011	13,491,563	3,661,758	438,506	5,248,059	22,839,886

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

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

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 313 conventional banking branches including 19 sub branches (2010: 298 branches including 18 sub branches), 7 overseas branches (2010: 7 branches), 85 Islamic banking branches (2010: 80 branches) and 1 offshore banking unit (2010: 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.
- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3** The State Bank of Pakistan vide its BSD Circular No. 7 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of available for sale securities (AFS) only, may be included in the 'Statement of Comprehensive Income'. However, the same shall continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.
- 3.4** IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by SBP.
- 3.5** 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.

3.6 New and amended standards and interpretations that are effective in the current year:

The following new and amended standards and interpretations have been published and are mandatory for the Bank's accounting period beginning 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 Bank has adopted the above amendment with effect from January 1, 2011. The Bank's current policy and disclosures are in line with the requirements prescribed by SBP as described in note 3.3 and accordingly, the above amendment does not have any impact on the Bank's financial statements.
- (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 revised standard does not have any effect on the Bank's financial statements.
- (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. The amendment does not have any significant impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2011 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.

3.7 New and amended standards and interpretations issued but not yet effective and not early adopted:

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, 2012 and have not been early adopted by the Bank.

- (a) IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Because of the circumstances described in note 3.3 above, this amendment will not have any impact on the Bank's financial statements.
- (b) IAS 12, 'Income taxes' (effective January 1, 2012), currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Since IAS 40 has been deferred as mentioned note 3.2, therefore, the amendment will not have any impact on the Bank's financial statements.
- (c) IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The impact on the Bank will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The management is yet to assess the full impact of the amendments.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.8 Early adoption of standards

The Bank did not early adopt any new or amended standards in 2011.

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 off to the 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)
- v) depreciation / amortisation of operating fixed assets (notes 5.5 and 11).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all years presented, unless otherwise specified.

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 three 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

5.3.1 Classification

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.

5.3.2 Regular way contracts

All purchases and sales of 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.

5.3.3 Initial recognition and measurement

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

5.3.4 Subsequent measurement

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 included in the statement of comprehensive income but is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost in accordance with the requirements specified by the State Bank of Pakistan.

Unquoted equity securities, excluding investment in subsidiary and associates are valued at lower of cost and the 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.

5.3.5 Impairment

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 / (deficit) 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.

Net investment in finance lease

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

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) are stated at revalued amount less accumulated depreciation.

Depreciation is charged to income by 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 reporting 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 reporting 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 reporting 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 reporting 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 the 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 reporting 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. Income is recognised net of depreciation charged in the profit and loss account.

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.

Other income is recognised on accrual 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 reporting 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 reporting date.

Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting 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 reporting date, are recognised 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	2011	2010
		(Rupees in '000)	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2011: Rs. 65 million, 2010: Rs. 18.273 million)		8,628,840	6,469,590
Foreign currencies		2,227,034	1,981,549
With State Bank of Pakistan in			
Local currency current accounts	6.1	18,680,420	15,435,220
Foreign currency current accounts	6.2	1,889,451	2,167,050
Foreign currency deposit accounts	6.3	4,248,803	5,322,509
With other central banks in			
Foreign currency current accounts	6.4	4,649,277	4,326,134
Foreign currency deposit accounts	6.4	5,285,235	2,619,294
With National Bank of Pakistan in			
Local currency current account		5,245,827	2,850,697
National Prize Bonds		27,775	25,798
		50,882,662	41,197,841

- 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 accounts		1,608,539	1,011,486
On deposit accounts	7.1	2,504,822	157,784
Outside Pakistan			
On current accounts	7.2	10,287,588	7,081,980
On deposit accounts	7.3	3,023,538	7,928,005
		17,424,487	16,179,255

- 7.1** This represents funds deposited with various banks at a profit rate of 5.00% per annum (2010: 5.00% per annum).
- 7.2** This includes amount held in Automated Investment Plans. The balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.
- 7.3** This includes placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.17% to 3.08% per annum (2010: 0.20% to 2.75% per annum) with maturities upto March 2012 (2010: August 2011).

	Note	2011	2010
(Rupees in '000)			
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	1,654,831	4,782,374
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	6,110,576	1,715,182
		7,765,407	6,497,556

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

8.2 Particulars of lendings to financial institutions

In local currency	6,110,576	1,828,182
In foreign currencies	1,654,831	4,669,374
	7,765,407	6,497,556

- 8.3** These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 11.90% to 12.45% per annum (2010: 13.00% to 13.75% per annum) with maturities upto January 2012 (2010: January 2011).

8.4 Securities held as collateral against lendings to financial institutions

Note	2011			2010		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	6,004,855	-	6,004,855	1,354,455	-	1,354,455
Pakistan Investment Bonds	105,721	-	105,721	360,727	-	360,727
	6,110,576	-	6,110,576	1,715,182	-	1,715,182

9 INVESTMENTS - NET

9.1 Investments by types:

Note	2011			2010			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
-----Rupees in '000-----							
Held for trading securities							
Market Treasury Bills	11,165,299	-	11,165,299	966,392	-	966,392	
Pakistan Investment Bonds	24,036	-	24,036	-	-	-	
Fully paid up ordinary shares / units - Listed	-	-	-	68,563	-	68,563	
	11,189,335	-	11,189,335	1,034,955	-	1,034,955	
Available for sale securities							
Market Treasury Bills	58,775,372	5,453,995	64,229,367	38,370,301	1,784,997	40,155,298	
Pakistan Investment Bonds	19,217,132	20,000	19,237,132	8,524,388	24,882	8,549,270	
Fully paid up ordinary shares / units - Listed	2,342,162	-	2,342,162	1,408,090	-	1,408,090	
Fully paid up ordinary shares / units - Unlisted	4,496,617	-	4,496,617	129,821	-	129,821	
Term Finance Certificates	1,604,182	-	1,604,182	1,588,852	-	1,588,852	
Preference Shares - Unlisted	40,000	-	40,000	40,000	-	40,000	
Sukuk Bonds	39,258,740	-	39,258,740	17,509,348	-	17,509,348	
	125,734,205	5,473,995	131,208,200	67,570,800	1,809,879	69,380,679	
Held to maturity securities							
Market Treasury Bills	6,249,095	-	6,249,095	4,836,816	-	4,836,816	
Pakistan Investment Bonds	8,692,619	-	8,692,619	3,946,980	-	3,946,980	
Term Finance Certificates	628,920	-	628,920	19,069,480	-	19,069,480	
Pakistan Dollar Bonds	420,937	-	420,937	395,673	-	395,673	
Pakistan Euro Bonds	895,587	-	895,587	845,772	-	845,772	
Credit Linked Note	449,729	-	449,729	856,367	-	856,367	
Overseas Bonds	5,836,567	-	5,836,567	4,213,216	-	4,213,216	
Preference Shares - Unlisted	120,983	-	120,983	202,744	-	202,744	
Sukuk Bonds	3,532,890	-	3,532,890	5,379,176	-	5,379,176	
	26,827,327	-	26,827,327	39,746,224	-	39,746,224	
Associates	9.19.1	799,483	-	799,483	5,686,949	-	5,686,949
Subsidiary							
Alfalal Securities (Private) Limited		826,000	-	826,000	76,000	-	76,000
Investments at cost		165,376,350	5,473,995	170,850,345	114,114,928	1,809,879	115,924,807
Less: Provision for diminution in the value of investments	9.21	(4,585,554)	-	(4,585,554)	(2,183,568)	-	(2,183,568)
Investments (net of provisions)		160,790,796	5,473,995	166,264,791	111,931,360	1,809,879	113,741,239
(Deficit) / Surplus on revaluation of held for trading securities - net	9.23	(11,053)	-	(11,053)	3,300	-	3,300
Surplus / (Deficit) on revaluation of available for sale securities - net	20.2	265,256	12,774	278,030	(313,124)	(5,554)	(318,678)
Total investments		161,044,999	5,486,769	166,531,768	111,621,536	1,804,325	113,425,861

	Note	2011	2010
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	9.4	81,643,761	45,958,506
- Pakistan Investment Bonds	9.5	27,953,787	12,496,250
- Overseas Government Bonds	9.6	4,805,128	3,166,337
- Sukuk Bonds	9.7	40,811,081	20,539,488
- Pakistan Dollar Bond	9.8	420,937	395,673
- Pakistan Euro Bond	9.9	895,587	845,772
		156,530,281	83,402,026
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	2,342,162	1,476,653
- Un-listed companies	9.11	4,496,617	129,821
- Preference Shares - Unlisted	9.12	160,983	242,744
		6,999,762	1,849,218
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.13	1,024,382	1,308,932
- Un-listed TFCs	9.14	1,208,720	19,349,400
- Sukuk Bonds	9.15	1,980,549	2,349,036
- Overseas Bonds	9.16	1,031,439	1,046,879
- Credit Linked Note	9.17	449,729	856,367
		5,694,819	24,910,614
Investment in subsidiary company	9.18	826,000	76,000
Investment in associates	9.19 & 9.19.1	799,483	5,686,949
Total investments at cost		170,850,345	115,924,807
Provision for diminution in value of investments	9.21	(4,585,554)	(2,183,568)
(Deficit) / Surplus on revaluation of held for trading securities - net	9.23	(11,053)	3,300
Surplus / (Deficit) on revaluation of available for sale securities - net	20.2	278,030	(318,678)
Total investments		166,531,768	113,425,861

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 periods ranging from six months to one year. The effective rates of profit on Market Treasury Bills range between 11.16% to 13.33% per annum (2010: 12.01% to 13.95% per annum) with maturities upto November 2012 (2010: December 2011).

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 12.00% per annum (2010: 8.00% to 14.00% per annum) with maturities from February 2012 to August 2021 (2010: December 2011 to July 2020). These also include PIBs having face value of Rs. 35 million (2010: 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 AFN 2,595.626 million (2010: AFN 1,644.829 million) and BDT 66.700 million (2010: BDT 66.700 million) respectively. The rates of profit on Government of Afghanistan bond ranges from 2.10% to 3.29% per annum (2010: 2.38% to 3.48% per annum) while Government of Bangladesh bond carries profit at 10.60% per annum (2010: 10.60% per annum). These bonds are due to mature by March 2012 (2010: December 2011) and March 2014 (2010: March 2014) respectively.
- 9.7** This represents sukuk bonds of Rs.1,728.943 million (2010: Rs 1,733.538 million) issued by the Water and Power Development Authority (WAPDA) for a period of ten years, ijarah sukuk of Rs. 39,046 million (2010: Rs 18,720 million) issued by the State Bank of Pakistan for a period of three years and SSGC sukuk of Rs. 35.95 million (2010: Rs 85.95 million) for a period of five years. The rates of profit on these bonds ranges between 12.30% to 13.55% per annum (2010: 12.12% to 13.56% per annum), between 11.67% to 13.28% per annum (2010: 12.64% to 14.14% per annum) and 13.45% per annum (2010: 13.64% per annum) respectively.
- 9.8** This represents Pakistan Dollar Bonds of US Dollar 4.679 million (2010: 5.000 million) issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum (2010: 8.812% per annum) and are due for maturity in March 2016 (2010: March 2016).
- 9.9** This represents Pakistan Euro Bonds of US Dollar 9.957 million (2010: 9.876 million) issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum (2010: 7.125%) and are due for maturity in March 2016 (2010: March 2016).

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

The paid-up value of these shares / units / certificates is Rs 10 unless otherwise stated.

2011 (Number of shares / certificates / units)	2010		2011 (Rupees in '000)	2010
		MUTUAL FUNDS		
101,636	140,411	Crosby Pheonix Fund (Rs 100 per unit)	10,791	15,079
-	181,542	AMZ Plus Income Fund	-	17,901
-	127,252	Dawood Money Market Fund	-	8,355
1,551,000	2,500,000	Meezan Balanced Fund	5,894	9,500
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
		NAFA Income Opportunity Fund		
29,228,991	37,539,759	(formerly NAFA Cash Fund)	297,165	381,659
15,000,000	15,000,000	Pak Oman Advantage Fund	150,000	150,000
600,000	600,000	Pak Oman Advantage Islamic Income Fund	30,000	30,000
-	1,290,534	Pakistan Capital Market Fund	-	9,882
504,951	504,951	United Islamic Income Fund	50,000	50,000
		OIL AND GAS		
175,000	110,000	Pakistan Oilfields Limited	55,257	30,527
400,000	-	Pakistan Petroleum Limited	68,448	-
150,000	150,000	Pakistan State Oil Company Limited	41,979	41,979
		CHEMICALS		
-	400,000	Dewan Salman Fiber Limited	-	1,673
943,413	-	Engro Corporation Limited	163,441	-
-	5,095,556	Fatima Fertilizer Company Limited	-	60,325
100,000	500,000	Fauji Fertilizer Company Limited	15,342	51,685
3,630,387	1,369,926	Lotte Pakistan PTA Limited	49,840	16,784
		FORESTRY AND PAPER		
26,000	-	Security Papers Limited	911	-
		INDUSTRIAL METALS AND MINING		
962,059	962,059	Crescent Steel & Allied Products Limited	25,014	25,014
23,504	-	International Steels Limited	284	-

2011 2010

(Number of shares /
certificates / units)

2011 2010

(Rupees in '000)

		CONSTRUCTION AND MATERIALS		
-	2,339,135	Al-Abbas Cement Company Limited	-	15,345
104,942	-	Attock Cement Company Limited	4,341	-
-	60,000	D.G Khan Cement Limited	-	1,846
7,127,639	7,639,139	Fauji Cement Company Limited	35,055	47,887
-	121,770	Fecto Cement Limited	-	1,279
121,734	50,000	Lucky Cement Limited	7,654	3,860
		PERSONAL GOODS		
-	100,000	Azgard Nine Limited	-	1,145
1,318,710	1,318,710	Hira Textile Mills Limited	2,980	2,980
-	30,000	Nishat (Chunian) Mills Limited	-	683
		FIXED LINE TELECOMMUNICATION		
4,162,718	1,888,570	Pakistan Telecommunication Company Limited	66,251	38,287
		ELECTRICITY		
6,465,504	2,800,000	The Hub Power Company Limited	226,279	87,929
1,750,000	1,500,000	Kot Addu Power Company Limited	74,472	64,088
-	100,000	Karachi Electric Supply Company Limited	-	319
1,970,639	1,970,639	Kohinoor Energy Limited	37,935	37,935
523,697	76,126	Nishat (Chunian) Power Company Limited	7,269	1,169
2,340,098	75,000	Nishat Power Company Limited	36,926	1,162
6,289,895	7,273,760	Southern Electric Power Company Limited	14,026	21,021
		BANKS		
400,000	-	Allied Bank Limited	22,675	-
852,619	-	Bank Al Habib Limited	25,494	-
460,000	210,000	MCB Bank Limited	75,469	39,991
4,186,751	1,125,000	National Bank of Pakistan	212,534	72,603
-	300,000	NIB Bank Limited	-	918
3,403,000	3,403,000	Samba Bank Limited	6,670	10,924
239,977	-	United Bank Limited	13,304	-
-	250,000	ICB Islamic Bank Limited	-	3,026
		NON-LIFE INSURANCE		
345,155	454,525	Adamjee Insurance Company Limited	29,064	46,916
		FINANCIAL SERVICES		
2,667,640	2,667,640	KASB Securities Limited	11,924	24,977
		Wateen Telecom Limited	* 417,474	-
		* Recategorised during the year from investment in associates (Refer note 9.19.1)		
			2,342,162	1,476,653



9.11 Investments in unlisted companies

2011 (Number of shares)	2010		2011 (Rupees in '000)	2010
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive: Mr. S.M. Zaeem Break-up value per share: Rs. 0.5 Period of financial statements: June 30, 2010 (Audited)	5,725	5,725
24	24	Society for Worldwide Interbank Financial Telecommunication Chief Executive: Mr. Lazaro Campos Break-up value per share: Rs. 323,182 Period of financial statements: December 31, 2010 (Audited)	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. 7.37 Period of financial statements: June 30, 2011 (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
		Warid Telecom (Private) Limited * Recategorised during the year from investment in associates (Refer note 9.19.1)	* 4,366,796	-
			4,496,617	129,821

9.12 Investments in preference shares - Unlisted

2011 (Number of shares)	2010		2011 (Rupees in '000)	2010
1,000,000	3,000,000	STS Holdings Limited Redemption: Semi annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 25.42 Date of financial statements : December 31, 2010 Chief Executive : Mr. Khondoker Monir Uddin (Paid-up value of each shares is BDT. 10)	10,998	36,312
1,000,000	1,000,000	BRAC Bank Limited Redemption: Annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 351.59 Date of financial statements : December 31, 2010 Chief Executive : Mr. Syed Mahbubur Rahman (Paid-up value of each shares is BDT. 100)	109,985	121,042

2011 (Number of shares)	2010		2011 (Rupees in '000)	2010
-	375,000	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
1,500,000	1,500,000	First Dawood Investment Bank Limited Redemption: Preference dividend @ 4% on cumulative basis and redeemable at par after 5 years. Break-up value per share: Rs. 4.40 Date of financial statements: June 30, 2011 (Audited) Chief Executive: Mr. Abdus Samad Khan	15,000	15,000
2,500,000	2,500,000	Trust Investment Bank Limited Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 1.12 Date of financial statements: June 30, 2011 (Audited) Chief Executive: Mr. Hamuyun Nabi Jan	25,000	25,000
			160,983	242,744

9.13 Particulars of Term Finance Certificates - Quoted, Secured

	2011 (Rupees in '000)	2010
Askari Bank Limited (2nd Issue)	99,760	99,800
20,000 (2010: 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)	34,960	47,420
10,000 (2010: 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		

2011
2010
(Rupees in '000)

Bank Al Habib Limited

31,086

46,638

The paid-up value of these shares / units / certificates is Rs 10 unless otherwise stated.

9,350 (2010: 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

1,442

2,163

578 (2010: 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

38,353

38,368

7,686 (2010: 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: Khalid A Sherwani

Pakistan Mobile Communication (Private) Limited

199,680

332,800

80,000 (2010: 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

30,809

92,427

37,000 (2010: 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

	2011	2010
	(Rupees in '000)	
Jahangir Siddiqui & Company Limited	24,955	49,920
10,000 (2010: 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	39,697	55,576
15,792 (2010: 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	74,000	94,000
20,000 (2010: 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)	449,640	449,820
90,000 (2010: 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	
	1,024,382	1,308,932

9.14 Particulars of Term Finance Certificates - Unquoted, Secured

	2011	2010
	(Rupees in '000)	
Agritech Limited (formerly Pak American Fertilizers Limited)	499,586	499,600
100,000 (2010: 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	99,840	99,880
20,000 (2010: 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		
Zulaikha Textile Mills Limited (Liability assumed from Khunja Textile Mills Limited)	29,494	30,000
300 (2010: 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. Muhammad Ramzan		
First Dawood Investment Bank Limited	30,000	30,000
6,000 (2010: 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	99,920
20,000 (2010: 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		

	2011	2010
	(Rupees in '000)	
Power Holding (Private) Limited (Liability assumed from Gujranwala Electric Power Company Limited - GEPCO) - notes 9.14.2	-	3,000,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from Faisalabad Electric Supply Company Limited - FESCO) - notes 9.14.2	-	3,000,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from National Transmission and Despatch Company - NTDC) - note 9.14.2	-	4,000,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.2	-	5,440,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.2	-	3,000,000
Nil (2010: 600,000) 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 change over date (date of conversion of loan into term finance certificates).		
Chief Executive: Mr. Fazeel Asif		
Faysal Bank Limited	149,940	150,000
30,000 (2010: 30,000) 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		
Bank Al Habib Limited	299,940	-
60,000 (2010: Nil) certificates of Rs. 5,000 each		
Mark up: Year 1 - 5 : 15% Year 6 - 10 : 15.5%		
Redemption: The instrument is structured to redeem 0.02 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 2021		
Chief Executive: Mr. Abbas D. Habib		
	1,208,720	19,349,400

9.14.1 The State Bank of Pakistan vide its letter no BSD/BRP-1/001485/2012 dated February 2, 2012 has allowed relaxation in maintaining provisioning against the exposure of Azgard Nine Limited till February 29, 2012, to all those banks who have agreed to reschedule / restructure their exposure against the company subject to the condition that such exposure shall be classified in accordance with Prudential Regulations. The Bank has classified the exposure as "Loss" and has maintained a provision of Rs 49.960 million thereagainst. Had the exemptions not been available, the provision against investments would have been higher by Rs 49.960 million while the profit before taxation for the current year would have been lower by the same amount.

9.14.2 These represented bank loan liabilities of power companies (which include term finance certificates issued by GEPCO, FESCO and NTDC) that had been transferred to Power Holding (Private) Limited to bring all circular debts of power sector to a single point of responsibility. Further, these also included conversion of loan accounts of Power Holding (Private) Limited into term finance certificates. During the current year, the Federal Government decided to settle the circular debt issue, including all accrued mark-up and asked the banks to subscribe to an equal amount of Treasury Bills and PIBs against their outstanding exposure in the ratio of 50:50. Accordingly all the outstanding dues of the Bank were cleared by the Federal Government on November 4, 2011 by crediting bank's SBP account. Following the settlement of term finance certificates the Bank purchased an equivalent amount of 12 months Treasury bills and 5 year PIBs on the same date.

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2011 (Rupees in '000)	2010
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1.00 percent	59,740	124,458	224,025
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	25,000	-	39,062
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	38,000	31,667	126,667
*Security Leasing Corporation Limited - II	March 2014	Nil	35,000	75,000	105,078
**Kohat Cement Company Limited	December 2015	6 months KIBOR plus 1.80 percent	20,000	70,600	96,600
***Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	Note 9.15.1	31,705	36,989
****BRR Guardian Modaraba	June 2014	6 months KIBOR plus 1.30 percent	20,000	98,438	100,000
K.S. Sulemanji Esmailji & Sons (Private) Limited	June 2014	3 months KIBOR plus 1.40 percent	20,000	53,173	95,000
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.10 percent	60,000	281,250	281,250
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00 percent	100,000	483,799	500,000
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	Nil	5,000	8,789	12,695
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50 percent	69,545	336,670	336,670
Quetta Textile Mills Limited	September 2015	6 months KIBOR plus 1.50 percent	30,000	135,000	145,000
				1,980,549	2,349,036

* These Sukuks bonds have been restructured with effect from April 19, 2011.

** These Sukuks bonds have been restructured with effect from November 24, 2011.

***These Sukuks bonds have been restructured with effect from August 9, 2011.

****These Sukuks bonds have been restructured with effect from April 15, 2011.

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, 2011.

9.16 These represent overseas bonds amounting to BDT Nil (2010: BDT 7.394 million), BDT 120 million (2010: 150 million) and US Dollar 10 million (2010: US Dollar 10 million) issued by IDLC Securitisation Trust, Orascom Telecom and Standard Chartered Bank respectively. These bonds carry interest at Nil percent per annum (2010: 14.09% per annum), 13.50% per annum (2010: 13.50% per annum) and 2.75% per annum (2010: 2.81% per annum) and have matured / are due for maturity in December 2011 (2010: December 2011), June 2014 (2010: June 2014) and February 2013 (2010: February 2013) respectively.

9.17 These represent Credit Linked Notes amounting to US Dollar 5 million (2010: USD Dollar 5 million) issued by Standard Chartered Bank. These carry interest at 4.06% (2010: 3.80%) and are due for maturity in March 2013.

9.18 Particulars of investment in subsidiary company

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

2011	2010	Note	2011	2010
(Number of shares)			(Rupees in '000)	
82,600,000	7,600,000	Alfalah Securities (Private) Limited Percentage of holding: 97.18% Break-up value per share: Rs. 0.017 Date of audited financial statements: December 31, 2011 Chief Executive: Mr. Mohammad Shoab Memon	826,000	76,000
			826,000	76,000

9.18.1 During the current year the Bank has made an investment of Rs 750 million in the right shares issued by the Bank's subsidiary company Alfalah Securities (Private) Limited. This was approved by the Shareholders of the Bank as required under section 208 of the Companies Ordinance, 1984 and by the State Bank of Pakistan vide its letter No. BSD/BAI - 3/608/2259/2011 dated February 24, 2011. Consequent to this investment, the Bank's shareholding in the subsidiary company has increased to 97.18 percent. Provision made against the investment is disclosed in note 9.22, while reversal of the provision in respect of loan to the subsidiary company is disclosed in note 10.5.3.

9.19 Particulars of investments in associates

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

2011	2010		2011	2010
(Number of shares / units)			(Rupees in '000)	
8,998,695	7,498,913	Alfalah Insurance Limited Percentage of holding: 30% (2010: 30%) Break-up value per share: Rs. 12.95 Date of audited financial statements: December 31, 2011 Chief Executive: Mr. Nasar us Samad Qureshi	68,990	68,990
2,889,739	2,889,739	Alfalah GHP Value Fund Percentage of holding: 34.19% (2010: 33.18%) Break-up value per unit: Rs. 46.98 Date of reviewed financial statements: December 31, 2011 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	100,000	100,000
5,481,236	7,650,498	Alfalah GHP Income Multiplier Fund Percentage of holding: 98.53% (2010: 96.38%) Break-up value per unit: Rs. 40.79 Date of reviewed financial statements: December 31, 2011 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	353,196
5,590,077	5,590,077	Alfalah GHP Islamic Fund Percentage of holding: 96.72% (2010: 96.11%) Break-up value per unit: Rs. 53.89 Date of reviewed financial statements: December 31, 2011 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% (2010: 40.22%) Break-up value per share: Rs. 10.77 Date of audited financial statements: December 31, 2011 Chief Executive: Mr. Abdul Aziz Anis	130,493	130,493
		Warid Telecom (Private) Limited	* -	4,366,796
		Wateen Telecom Limited	* -	417,474
			799,483	5,686,949

* Recategorised during the year from investment in associates to Available for sale (Refer note 9.19.1)

9.19.1 Investment in shares of Warid Telecom (Private) Limited and Wateen Telecom Limited

During the year, the Bank's investments in shares of Warid Telecom (Private) Limited and Wateen Telecom Limited have been recategorised as Available for Sale instead of being categorised as Investment in Associates. The Bank's investment in both these group companies is less than 20% of investee company's capital and based on internal reorganisation, management has assessed that this investment does not result in significant influence over these entities as defined in IAS 28. This recategorisation has had no impact on the carrying values of the investments in the Bank's financial statements. Further, there is no change in shareholding of the Bank in these companies as compared to prior year. Particulars of the cost and number of shares held by the Bank in these companies are as follows:

2011	2010		2011	2010
(Number of shares)			(Rupees in '000)	
319,054,124	319,054,124	Warid Telecom (Private) Limited	4,366,796	4,366,796
		Percentage of holding: 8.24% (2010: 8.24%)		
		Break-up value per share: Rs. 5.71		
		Date of financial statements:		
		December 31, 2011 (Unaudited)		
		Chief Executive: Mr. Muneer Farooqui		
83,494,920	83,494,920	Wateen Telecom Limited	417,474	417,474
		(Fixed Line Telecommunication Sector)		
		Percentage of holding: 13.52% (2010: 13.52%)		
		Break-up value per share: negative equity		
		Market value per share: Rs. 1.79		
		Date of audited financial statements: June 30, 2011		
		Chief Executive: Mr. Naeem Zaminder		
402,549,044	402,549,044		4,784,270	4,784,270

Impairment held against investment in these companies is disclosed in note 9.22. These entities remain related entities of the Bank and transactions carried out with them are reflected in note 40 to these financial statements.

9.20 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2011	2010	2011	2010		
	-----Rupees in '000-----					
Market Treasury Bills	64,333,505	40,043,011	64,229,367	40,155,298	(Unrated - Government Securities)	
Pakistan Investment Bonds	19,106,572	8,045,322	19,237,132	8,549,270	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited (2nd Issue)	99,329	97,764	99,760	99,800	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	35,790	47,870	34,960	47,420	AAA	PACRA
Bank Al-Habib Limited	28,219	44,226	31,086	46,638	AA	PACRA
Faysal Bank Limited	1,448	2,152	1,442	2,163	AA-	PACRA
Allied Bank Limited	38,439	37,689	38,353	38,368	AA-	JCRVIS
Pakistan Mobile Communication (Private) Limited	200,221	332,741	199,680	332,800	A+	PACRA
ORIX Leasing Pakistan Limited	29,826	91,693	30,809	92,427	AA+	PACRA
Jahangir Siddiqui & Company Limited	25,111	50,149	24,955	49,920	AA	PACRA
First Dawood Investment Bank Limited	30,000	30,000	30,000	30,000	D	PACRA
Financial Receivables Securitisation Company Limited "A"	19,135	26,634	19,234	26,928	A+	PACRA
Financial Receivables Securitisation Company Limited "B"	20,357	28,648	20,463	28,648	A+	PACRA
Pak Arab Fertilizers Limited	74,332	91,180	74,000	94,000	AA	PACRA
Azgard Nine Limited	99,920	99,920	99,920	99,920	D	PACRA
Askari Bank Limited (3rd Issue)	460,332	456,567	449,640	449,820	AA-	PACRA
Faysal Bank Limited	155,067	150,000	149,940	150,000	AA-	PACRA
Bank Al-Habib Limited	317,937	-	299,940	-	AA-	PACRA
	1,635,463	1,587,233	1,604,182	1,588,852		
Shares in Listed Companies / Certificates / Units						
Adamjee Insurance Company Limited	16,053	39,771	29,064	46,916	AA	PACRA
Al-Abbas Cement Company Limited	-	8,117	-	15,345	----(Unrated)----	
Allied Bank Limited	21,548	-	22,675	-	AA/A1+	PACRA
AMZ Plus Income Fund	-	10,709	-	17,901	----(Unrated)----	
Attock Cement Company Limited	5,352	-	4,341	-	----(Unrated)----	
Bank Al Habib Limited	24,325	-	25,494	-	AA+/A1+	PACRA
Crescent Steel & Allied Products Limited	17,461	26,466	25,014	25,013	----(Unrated)----	
Crosby Pheonix Fund	10,866	15,190	10,791	15,079	A(f)	JCRVIS
Dawood Money Market Fund	-	9,998	-	8,355	A-(f)	PACRA
Engro Corporation Limited	87,454	-	163,441	-	AA/A1+	PACRA
Fatima Fertilizer Limited	-	57,478	-	60,325	A/A1	PACRA
Fauji Cement Company Limited	23,521	35,781	35,055	45,177	----(Unrated)----	
Fauji Fertilizer Company Limited	14,954	62,930	15,342	51,685	----(Unrated)----	
Fecto Cement Limited	-	883	-	1,279	----(Unrated)----	
Hira Textile Mills Limited	5,380	5,143	2,980	2,980	----(Unrated)----	
ICB Islamic Bank	-	3,026	-	3,026	----(Unrated)----	
International Steels Limited	273	-	284	-	----(Unrated)----	
KASB Securities Limited	6,136	11,924	11,924	24,977	A/A1	PACRA
Kohinoor Energy Limited	31,077	42,921	37,935	37,935	----(Unrated)----	
Kot Addu Power Company Limited	72,310	61,020	74,472	64,088	AA+/A1+	JCRVIS
Lotte Pakistan PTA Limited	33,654	5,969	49,840	5,171	----(Unrated)----	
Lucky Cement Limited	9,135	-	7,654	-	----(Unrated)----	
MCB Bank Limited	61,916	45,708	75,469	37,784	AA+/A1+	PACRA
Meezan Balanced Fund	14,114	18,750	5,894	9,500	----(Unrated)----	
Meezan Islamic Income Fund	49,366	49,959	50,000	50,000	A(f)	JCRVIS
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	279,955	382,425	297,165	381,659	A(f)	PACRA
National Bank of Pakistan	171,866	76,820	212,534	63,873	AAA/A-1+	JCRVIS

	Date of issue	Market value		Cost		Long/Medium Term Credit Rating	Rated by
		2011	2010	2011	2010		
		-----Rupees in '000-----					
Nishat (Chunian) Power Company Limited		6,677	-	7,269	-	AA-/A1+	PACRA
Nishat Power Company Limited		30,304	-	36,926	-	AA-/A1+	PACRA
Pak Oman Advantage Fund		136,800	157,350	150,000	150,000	AA-(f)	PACRA
Pak Oman Advantage Islamic Income Fund		31,528	30,936	30,000	30,000	A+(f)	PACRA
Pakistan Capital Market Fund		-	10,092	-	9,882	2-Star/3-Star	PACRA
Pakistan Oilfields Limited		60,629	-	55,257	-	----(Unrated)----	
Pakistan Petroleum Limited		67,328	-	68,448	-	----(Unrated)----	
Pakistan State Oil Company Limited		34,082	44,277	41,979	41,979	AA+/A1+	PACRA
Pakistan Telecommunication Company Limited		43,251	36,676	66,251	38,287	A+/A1	PACRA
Samba Bank Limited		4,934	6,670	6,670	10,924	A+/A-1	JCRVIS
Security Papers Limited		920	-	911	-	AAA/A-1+	JCRVIS
Southern Electric Power Company Ltd		4,403	16,220	14,026	21,021	----(Unrated)----	
The Hub Power Company Limited		221,120	104,748	226,279	87,929	AA+/A1+	PACRA
United Bank Limited		12,572	-	13,304	-	AA+/A-1+	JCRVIS
United Islamic Income Fund		38,674	51,545	50,000	50,000	BBB-(f)	JCRVIS
Wateen Telecom Limited		149,456	-	417,474	-	----(Unrated)----	
		1,799,395	1,429,502	2,342,162	1,408,090		
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)----	
Warid Telecom (Private) Limited			Not Applicable	4,366,796	-	----(Unrated)----	
				4,496,617	129,821		
Preference Shares in Un-listed Companies							
First Dawood Investment Bank Limited			Not Applicable	15,000	15,000	D	PACRA
Trust Investment Bank Limited			Not Applicable	25,000	25,000	BBB / A3	PACRA
				40,000	40,000		
Sukuk Bonds							
GoP Ijarah Sukuk Bonds II	29-Dec-08	-	1,000,000	-	1,000,000	----(Unrated)----	
GoP Ijarah Bonds III	11-Mar-09	2,625,000	2,625,000	2,625,000	2,625,000	----(Unrated)----	
GoP Ijarah Bonds IV	17-Sep-09	3,595,000	3,595,000	3,595,000	3,595,000	----(Unrated)----	
GoP Ijarah Bonds V	15-Nov-10	8,130,113	6,000,000	8,130,113	6,000,000	----(Unrated)----	
GoP Ijarah Bonds VI	20-Dec-10	3,000,000	3,000,000	3,000,000	3,000,000	----(Unrated)----	
GoP Ijarah Bonds VII	7-Mar-11	12,718,850	-	12,718,850	-	----(Unrated)----	
GoP Ijarah Bonds VIII	16-May-11	8,477,225	-	8,477,225	-	----(Unrated)----	
GoP Ijarah Bonds IX	26-Dec-11	500,000	-	500,000	-	----(Unrated)----	
Sui Southern Gas Company Limited		36,061	84,569	35,950	85,950	AA-/A1+	PACRA
Security Leasing Corporation Limited I		6,212	9,521	8,789	12,695	----(Unrated)----	
Security Leasing Corporation Limited II		23,193	34,277	32,813	45,703	----(Unrated)----	
Quetta Textile Mills limited		123,888	130,570	135,000	145,000	BBB+	JCRVIS
		39,235,542	16,478,937	39,258,740	16,509,348		
		126,110,477	67,584,005	131,208,200	68,380,679		

	Note	2011	2010
		(Rupees in '000)	
9.21 Particulars of provision for diminution in value of investments			
Opening balance		2,183,568	325,158
Charge for the year		2,459,294	1,991,192
Reversals		(1,457)	(285)
Provision written off during the year		(55,851)	(132,497)
Closing balance		4,585,554	2,183,568
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			
- Wateen Telecom Limited	9.19.1	287,223	-
- Others		169,593	55,851
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	35,000
- Al-Hamra Avenue (Private) Limited		25,000	25,000
- Warid Telecom (Private) Limited	9.19.1 & 9.22.1	2,545,716	-
- Term finance certificates			
- First Dawood Investment Bank Limited		30,000	30,000
- Azgard Nine Limited		49,960	-
- Preference shares			
- First Dawood Investment Bank Limited		8,064	8,064
- Trust Investment Bank Limited		23,652	23,652
Held to maturity securities			
Unlisted securities			
- Term finance certificates / sukuk bonds			
- Agritech Limited		465,000	-
- Khunja Textiles Mills Limited		29,494	30,000
- Kohat Cement Company Limited		53,637	74,899
- BRR Guardian Modaraba		25,000	-
- Sitara Energy Limited		7,926	-
Investment in subsidiary company			
Unlisted company			
- Fully paid up ordinary shares of Rs. 10 each			
- Alfalah Securities (Private) Limited	9.22.1	824,564	76,000
Investment in associated companies			
Unlisted company			
- Fully paid up ordinary shares of Rs. 10 each			
- Warid Telecom (Private) Limited	9.19.1	-	1,705,824
Listed company			
- Fully paid up ordinary shares of Rs. 10 each			
- Wateen Telecom Limited	9.19.1	-	113,553
		4,585,554	2,183,568

9.22.1 The Bank has determined the impairment charge on these investments as a difference between the carrying amount and the breakup value based on the un-audited financial statements of Warid Telecom (Private) Limited for the period ended December 31, 2011 and the audited financial statements of Alfalah Securities (Private) Limited for the year ended December 31, 2011.

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

	Unrealised (loss) / gain		Cost	
	2011	2010	2011	2010
	-----Rupees in '000-----			
Fully paid up ordinary shares / units - Listed				
NIB Bank Limited	-	(33)	-	918
MCB Bank Limited	-	79	-	2,207
National Bank of Pakistan	-	872	-	8,730
Lucky Cement Limited	-	(71)	-	3,860
Pakistan Oilfields Limited	-	2,029	-	30,527
Azgard Nine Limited	-	(179)	-	1,145
Fauji Cement Company Limited	-	(143)	-	2,711
D G Khan Cement Limited	-	(35)	-	1,846
Lotte Pakistan PTA Limited	-	1,185	-	11,613
Nishat Chunian Power Limited	-	56	-	1,169
Nishat Power Limited	-	56	-	1,162
Karachi Electric Supply Company Limited	-	(38)	-	319
Dewan Salman Fiber Limited	-	(477)	-	1,673
Nishat (Chunian) Mills Limited	-	(2)	-	683
	-	3,299	-	68,563
Market Treasury Bills	(10,662)	1	11,165,299	966,392
Pakistan Investment Bonds	(391)	-	24,036	-
	(11,053)	3,300	11,189,335	1,034,955

	Note	2011	2010
(Rupees in '000)			
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		178,590,232	188,275,876
Outside Pakistan		11,633,715	8,463,729
		190,223,947	196,739,605
Net investment in finance lease			
In Pakistan	10.2	4,661,592	6,905,615
Outside Pakistan		-	-
		4,661,592	6,905,615
Financing and investing assets under IFAS 2 Ijarah	10.3	4,398,109	3,503,758
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		4,111,898	2,799,456
Payable outside Pakistan		8,001,809	8,483,419
		12,113,707	11,282,875
		211,397,355	218,431,853
Provision against advances			
Specific provision against non-performing advances	10.5	(12,330,753)	(10,629,679)
General provision against advances	10.5	(598,090)	(649,628)
		(12,928,843)	(11,279,307)
		198,468,512	207,152,546
10.1 Particulars of advances - gross of provisions			
In local currency		184,590,219	198,514,876
In foreign currencies		26,807,136	19,916,977
		211,397,355	218,431,853
Short term (upto one year)		151,917,287	166,340,054
Long term (over one year)		59,480,068	52,091,799
		211,397,355	218,431,853

10.2 Net investment in finance lease

	2011				2010			
	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	1,903,837	1,247,638	-	3,151,475	1,897,754	3,021,997	-	4,919,751
Residual value	1,244,281	799,821	-	2,044,102	701,218	2,122,322	-	2,823,540
Minimum lease payments	3,148,118	2,047,459	-	5,195,577	2,598,972	5,144,319	-	7,743,291
Financial charges for future periods	(315,734)	(218,251)	-	(533,985)	(417,869)	(419,807)	-	(837,676)
Present value of minimum lease payments	2,832,384	1,829,208	-	4,661,592	2,181,103	4,724,512	-	6,905,615

10.2.1 Net investment in finance lease includes Ijarah financings disbursed 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

	2011				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2011					
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
Year ended December 31, 2011					
Opening net book value	2,452,509	499,517	476,549	75,183	3,503,758
Additions	1,702,112	208,877	212,119	-	2,123,108
Disposals					
Cost	(317,530)	(43,799)	(35,069)	(5,370)	(401,768)
Accumulated Depreciation	79,486	13,262	2,597	1,843	97,188
Depreciation	(238,044)	(30,537)	(32,472)	(3,527)	(304,580)
Depreciation	(585,699)	(163,320)	(148,347)	(26,811)	(924,177)
Closing net book value	3,330,878	514,537	507,849	44,845	4,398,109
At December 31, 2011					
Cost	4,150,425	785,720	722,744	92,924	5,751,813
Accumulated depreciation	(819,547)	(271,183)	(214,895)	(48,079)	(1,353,704)
Net book value	3,330,878	514,537	507,849	44,845	4,398,109
2010					
Asset categories					
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	----- (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

	2011	2010
	(Rupees in '000)	
c) Future Ijarah payments receivable		
Not later than one year	411,845	5,150
Later than one year and not later than five years	4,368,215	5,550,544
Later than five years	-	106,542
	4,780,060	5,662,236

10.4 Advances include Rs 19.097 billion (2010: Rs 18.320 billion) which have been placed under non-performing status as detailed below:

	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Category of Classification									
Other Assets Especially Mentioned (Agri Financing)	99,017	-	99,017	-	-	-	-	-	-
Substandard	2,941,576	-	2,941,576	582,810	-	582,810	582,810	-	582,810
Doubtful	1,022,306	-	1,022,306	294,551	-	294,551	294,551	-	294,551
Loss	14,924,221	109,494	15,033,715	11,428,418	24,974	11,453,392	11,428,418	24,974	11,453,392
	18,987,120	109,494	19,096,614	12,305,779	24,974	12,330,753	12,305,779	24,974	12,330,753

	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Category of Classification									
Other Assets Especially Mentioned (Agri Financing)	192,889	-	192,889	-	-	-	-	-	-
Substandard	740,674	-	740,674	81,144	-	81,144	81,144	-	81,144
Doubtful	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

10.5 Particulars of provisions against advances

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	10,629,679	649,628	11,279,307	8,597,664	763,066	9,360,730
Exchange adjustment and other movements	(21,033)	(7,225)	(28,258)	1,499	(473)	1,026
Charge for the year	3,442,105	59,863	3,501,968	3,280,145	-	3,280,145
Reversals / recoveries	(1,533,282)	(104,176)	(1,637,458)	(923,493)	(112,965)	(1,036,458)
	1,908,823	(44,313)	1,864,510	2,356,652	(112,965)	2,243,687
Amounts written off	(186,716)	-	(186,716)	(326,136)	-	(326,136)
Closing balance	12,330,753	598,090	12,928,843	10,629,679	649,628	11,279,307

10.5.1 During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 1 dated October 21, 2011 (effective from September 30, 2011). Under the revised guidelines issued by SBP, banks have been allowed to avail the benefit as follows:

a. Prudential Regulation R-8 for Corporate / Commercial Banking and Prudential Regulation R-11 for SME Financing:

Category of Asset	Benefit of FSV allowed from the date of classification
Mortgaged residential, commercial, and industrial properties (land & building only)	75% for first year 60% for second year 45% for third year 30% for fourth year, and 20% for fifth year
Plant & Machinery under charge	30% for first year 20% for second year, and 10% for third year
Pledged stock	40% for three years

b. Prudential Regulations R-22 for Consumer Financing:

Mortgaged residential property	75% for first and second year 50% for third and fourth year, and 30% for fifth year
--------------------------------	---

Under the previous guidelines issued by SBP which were effective from September 30, 2009, banks were allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged residential, commercial and industrial properties held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement. However, the benefit of discounted forced sale values of plant and machinery was previously not available to banks for calculating provisioning requirement.

The Bank has decided not to avail the benefit of forced sale values of pledged stocks and mortgaged, residential, commercial and industrial properties and plant and machinery as per the revised circular. Accordingly, the provision against non performing loans and advances has been determined by taking the benefit of forced sale values as allowed under the previous circular except for loans and advances where more than 3 years have elapsed since the date of classification. The benefit of forced sale value in such cases has been taken on the basis of revised circular, i.e 30% of forced sale values instead of 40%.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been lower and consequently profit before taxation and advances (net of provisions) as at December 31, 2011 would have been higher by approximately Rs. 174.554 million.

10.5.2 The additional profit arising from availing the FSV benefit - net of tax at December 31, 2011 which is not available for either cash or stock dividend to shareholders amounted to Rs. 1,997.301 million (2010: 2,244.780 million).

10.5.3 This includes reversal of Rs 605.427 million in respect of financing provided to the Bank's subsidiary company Alfalah Securities (Private) Limited. The amount has been recovered during the year. In addition the Bank has also recognised income on receipt basis against this financing amounting to Rs 133.641 million.

10.5.4 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.

10.5.5 Particulars of provisions against advances

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	12,305,779	478,863	12,784,642	10,602,191	578,193	11,180,384
In foreign currencies	24,974	119,227	144,201	27,488	71,435	98,923
	12,330,753	598,090	12,928,843	10,629,679	649,628	11,279,307

10.5.6 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.

	2011	2010
	(Rupees in '000)	
10.6 Particulars of write-offs		
10.6.1 Against provisions	186,716	326,136
Directly charged to profit and loss account	5,696	25,504
	192,412	351,640
10.6.2 Write offs of Rs. 500,000 and above	4,629	8,746
Write offs of below Rs. 500,000	187,783	342,894
	192,412	351,640

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, 2011 is given in Annexure-I.

10.8 Particulars of loans and advances to directors, executives, associated companies, etc.

	2011	2010
	(Rupees in '000)	
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	4,105,350	3,592,275
- Loans granted during the year	1,919,539	1,990,615
- Repayments during the year	(1,372,257)	(1,477,540)
- Balance at end of year	4,652,632	4,105,350
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	2,141,096	2,169,012
- Loans granted during the year	2,631,332	10,932,476
- Repayments during the year	(2,473,993)	(10,960,392)
- Balance at end of year	2,298,435	2,141,096

	Note	2011	2010
(Rupees in '000)			
Debts due by subsidiary company, controlled firms, managed modarabas and other related parties			
- Balance at beginning of year		609,218	601,076
- Loans granted during the year		1,980,278	2,249,508
- Repayments during the year		(2,586,517)	(2,241,366)
- Balance at end of year		2,979	609,218
Total		6,954,046	6,855,664

11 FIXED ASSETS

Capital work-in-progress	11.1	596,895	679,951
Property and equipment	11.2	12,358,257	12,957,410
Intangible assets	11.3	433,531	567,194
		13,388,683	14,204,555

11.1 Capital work-in-progress

Civil works	179,438	228,406
Equipment / intangibles	210,225	189,993
Advances to suppliers and contractors	192,017	234,318
Others	15,215	27,234
	596,895	679,951

11.2 Property and equipment

Description	2011								
	Cost / revaluation as at January 1, 2011	Additions / (disposals) / *adjustments	Reversal of deficit on revaluation	Cost/ Revaluation as at December 31, 2011	Accumulated depreciation as at January 1, 2011	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation as at December 31, 2011	Net Book Value as at December 31, 2011	Rate of depreciation %
----- (Rupees in '000) -----									per annum
Office premises	5,066,079	83,615 - * 55,689	-	5,205,383	79,492	82,821 - * 56,833	219,146	4,986,237	2.5%-5.5%
Revaluation	3,542,230	-		3,542,230	45,685	45,685	91,370	3,450,860	2.5%-5.5%
	8,608,309	83,615 - * 55,689	-	8,747,613	125,177	128,506 - * 56,833	310,516	8,437,097	
Lease hold improvements	2,701,276	367,300 (8,659) * (22,945)	-	3,036,972	1,549,049	476,447 (3,517) * (8,355)	2,013,624	1,023,348	20%
Furniture and fixtures	1,568,446	142,914 (4,859) * (4,843)	-	1,701,658	621,542	163,837 (3,276) * (3,268)	778,835	922,823	10% - 25%
Office equipment	5,946,643	508,126 (36,882) * (28,020)	-	6,389,867	3,648,410	890,937 (32,847) * (16,827)	4,489,673	1,900,194	20% - 25%
Vehicles	231,838	30,492 (34,188) * (5,604)	-	222,538	154,924	31,241 (33,816) * (4,606)	147,743	74,795	25%
	19,056,512	1,132,447 (84,588) * (5,723)	-	20,098,648	6,099,102	1,690,968 (73,456) * 23,777	7,740,391	12,358,257	

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 as at December 31, 2010	Net Book Value as 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	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 2,330 million (2010: Rs. 1,677 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. 4,986.237 million (2010: Rs 4,986.587 million).

11.3 Intangible assets

Description	2011							
	COST			ACCUMULATED AMORTIZATION			Book value As at December 31, 2011	Rate of amortization % per annum
As at January 1, 2011	Additions / (Deletions) / * Adjustment	As at December 31, 2011	As at January 1, 2011	Amortization (Deletion) / * Adjustment	As at December 31, 2011			
	(Rupees in '000)							
Computer software (note 11.3.1)	947,427	49,374	995,695	380,233	182,816	562,164	433,531	20%
	-	- * (1,106)			- * (885)			
Goodwill (note 11.3.2)	109,971	-	56,031	109,971	-	56,031	-	
	-	* (53,940)			* (53,940)			
	1,057,398	49,374	1,051,726	490,204	182,816	618,195	433,531	
	-	- * (55,046)			- * (54,825)			

2010

	COST		ACCUMULATED AMORTIZATION			Book value as at December 31, 2010	Rate of amortization % per annum	
	As at January 1, 2010	Additions/ (Deletions)/ * Adjustment	As at December 31, 2010	As at January 1, 2010	Amortization (Deletion) / * Adjustment			As at December 31, 2010
	------(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	

11.3.1 This includes additional amortisation charge of Rs. 18.806 million (2010: 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 Adjustment in goodwill represents amount relating to Karachi Stock Exchange branch which has been reclassified to leasehold building consequent to execution of sub-lease agreement by the Karachi Stock Exchange with the Bank.

11.3.3 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 259.178 million (2010: Rs. 174.664 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)-----					
Leasehold Improvements						
Renovation work	2,016	1,008	1,008	1,047	Insurance Claim	M/s Alfalah Insurance Company Limited (Related party)
Renovation work	2,024	620	1,404	-	Write Off	N/A
Renovation work	3,871	1,190	2,681	-	Write Off	N/A
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	748	699	49	96	Various	Various
	8,659	3,517	5,142	1,143		
Furniture and fixtures						
Furniture & Fixture	715	353	362	359	Insurance Claim	M/s Alfalah Insurance Company Limited (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	4,144	2,923	1,221	1,035	Various	Various
	4,859	3,276	1,583	1,394		
Computers						
POS Switch						
Computers	2,713	2,352	361	512	Insurance Claim	M/s Alfalah Insurance Company Limited (Related party)
Computers	1,686	1,686	-	50	Bid	M/s Muzaffar Computers Chiniot
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	1,804	1,619	185	531	Various	Various
	6,203	5,657	546	1,093		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
----- (Rupees in '000) -----						
Office equipment						
Air Conditioner	1,078	1,078	-	17	Bid	M/s Malik Refrigeration
Diesel Generator	712	423	289	297	Bid	Mr. Haider Ali
Diesel Generator	1,291	1,257	34	452	Bid	Mr. Haider Ali
Diesel Generator	950	605	345	344	Bid	M/s Bahum Associates (Pvt) Ltd
Diesel Generator	1,067	866	201	425	Bid	Mr. Haider Ali
Diesel Generator	1,045	945	100	470	Bid	Mr. Haider Ali
Diesel Generator	2,125	2,125	-	607	Bid	Mr. Haider Ali
Diesel Generator	712	380	332	297	Bid	Mr. Haider Ali
Diesel Generator	2,430	2,025	405	868	Bid	M/s Trolley Corporation
Diesel Generator	1,075	691	384	498	Bid	Mr. Sarfaraz Ahmed
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,194	16,795	1,399	3,991	Various	Various
	30,679	27,190	3,489	8,266		
Vehicles						
Land Cruiser Jeep	5,324	5,324	-	1,796	Bid	M/s End 2 End Supply Chain Limited
Honda Civic	1,677	1,677	-	824	Bid	Mr. Aamir Anayat
Honda Civic	1,000	1,000	-	448	As Per Bank Policy	Mr. Shahid Nafees
Prado	1,642	1,642	-	238	As Per Bank Policy	Mr. Azmatullah Khan
BMW	7,033	7,033	-	703	As Per Bank Policy	Mr. Sirajuddin Aziz (former C.E.O.)
Honda Civic	1,376	1,376	-	137	As Per Bank Policy	Mr. Sirajuddin Aziz (former C.E.O.)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	16,136	15,764	372	11,381	Various	Various
	34,188	33,816	372	15,527		
Total - December 31, 2011	84,588	73,456	11,132	27,423		
Total - December 31, 2010	94,360	73,749	20,611	42,494		

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

12 DEFERRED TAX ASSETS / (LIABILITIES) - NET

Deferred debits arising due to

Provision for doubtful debts	1,109,599	1,425,638
Provision against off-balance sheet obligations	15,472	15,472
Impairment in the value of investments	1,793,910	964,755
Loss on remeasurement of held for trading investments	3,869	-
Unrealised loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale	-	137
Deficit on revaluation of securities	-	111,538
	2,922,850	2,517,540

Deferred credits arising due to

Difference between accounting book value of leased assets and lease liabilities	(386,827)	(423,548)
Accelerated tax depreciation	(1,322,460)	(1,498,339)
Gain on remeasurement of held for trading investments	-	(1,155)
Surplus on revaluation of securities	(97,311)	-
Surplus on revaluation of operating fixed assets	(694,427)	(710,417)
	(2,501,025)	(2,633,459)
	421,825	(115,919)

2011 2010
(Rupees in '000)

	Note	2011	2010
(Rupees in '000)			
13 OTHER ASSETS			
Income / mark-up accrued in local currency		12,799,945	12,054,069
Income / mark-up accrued in foreign currencies		314,740	353,062
Advances, deposits, advance rent and other prepayments		1,054,734	1,387,559
Assets acquired in satisfaction of claims	13.1	354,109	354,109
Advances against future Murabaha		2,017,372	1,270,265
Advances against future Ijarah		111,674	283,706
Advances against Diminishing Musharakah		113,996	150,469
Branch adjustment account		665,770	364,265
Tax recoverable		-	254,009
Dividend receivable		-	17,958
Unrealised gain on forward foreign exchange contracts	13.2	27,949	76,368
Prepaid exchange risk fee		1,043	1,691
Stationery and stamps on hand		99,711	93,266
Others		413,345	145,096
		17,974,388	16,805,892
Less: Mark up held in suspense account		(4,379,310)	(3,876,953)
Provision held against other assets	13.3	(304,620)	(102,714)
		13,290,458	12,826,225
13.1 Market value of assets acquired in satisfaction of claims		254,470	274,753

13.2 This is net off unrealised loss on forward exchange contracts of Rs. 374.48 million (2010: 393.847 million).

	Note	2011	2010
(Rupees in '000)			
13.3 Provision held against other assets			
Opening balance		102,714	9,674
Charge for the year	13.3.1 & 13.3.2	183,161	93,040
Reversals		-	-
Amount written off		-	-
Adjustment		18,745	-
Closing balance		304,620	102,714

13.3.1 This includes an amount of Rs. 9.366 million (2010: Rs 93.040 million) recognised during the year on account of impairment in the value of asset acquired in satisfaction of claims.

13.3.2 This also includes provision of Rs 132.400 million (2010: Nil) in respect of fraud and forgery claims relating to fraudulent transactions carried out by an employee of the Bank. In addition, claims against the Bank not acknowledged as debt (note 21.4) also include claims amounting to Rs 39.64 million in respect of customers alleged to have been involved with such employee. The Bank has initiated legal proceedings against this employee and has also taken necessary steps to further strengthen the internal control system.

	2011	2010
(Rupees in '000)		
14 BILLS PAYABLE		
In Pakistan	5,352,113	4,358,194
Outside Pakistan	51,340	163,339
	5,403,453	4,521,533

	2011	2010
	(Rupees in '000)	
15 BORROWINGS		
In Pakistan	15,670,713	11,602,025
Outside Pakistan	2,498,265	2,098,099
	18,168,978	13,700,124

15.1 Particulars of borrowings with respect to currencies

In local currency	15,670,713	11,602,025
In foreign currencies	2,498,265	2,098,099
	18,168,978	13,700,124

Note **2011** **2010**
(Rupees in '000)

15.2 Details of borrowings secured / unsecured

Secured

Borrowings from State Bank of Pakistan under:

Export refinance scheme	15.3	8,981,663	9,150,442
Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	15.4	157,851	302,198
Long Term Finance Facility	15.5	727,561	336,300
Modernisation of SMEs	15.6	9,297	11,620
Financing Facility for Storage of Agriculture produce (FFSAP)	15.7	213,748	-
Repurchase agreement borrowings	15.8	5,480,593	1,801,465
		15,570,713	11,602,025

Unsecured

Call borrowings		2,571,258	2,098,099
Overdrawn nostro accounts		27,007	-
		2,598,265	2,098,099

	18,168,978	13,700,124
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15.3 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 is 10.00% per annum (2010: 7.50% to 9.00% per annum) payable on a quarterly basis.

15.4 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 8.60% per annum (2010: 4.00% to 5.00% per annum) payable on a quarterly basis.

15.5 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 7.00% to 10.00% per annum (2010: 6.50% to 8.60% per annum) payable on a quarterly basis.

15.6 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 6.50% per annum (2010: 6.00% per annum) payable on a quarterly basis.

15.7 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 6.50% per annum payable on a quarterly basis.

15.8 This represents repurchase agreement borrowings from other banks at rates ranging from 11.40% to 11.62% per annum (2010: 12.50% to 13.30% per annum) maturing by January 2012 (2010: January 2011).

	2011	2010
	(Rupees in '000)	
16 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	101,962,743	102,317,555
Savings deposits	123,503,156	96,350,207
Current accounts - non-remunerative	141,881,781	119,435,697
Others	4,472,421	4,888,918
	371,820,101	322,992,377
Financial institutions		
Remunerative deposits	28,847,597	30,760,292
Non-remunerative deposits	580,188	262,642
	29,427,785	31,022,934
	401,247,886	354,015,311
16.1 Particulars of deposits		
In local currency	336,316,974	284,346,578
In foreign currencies	64,930,912	69,668,733
	401,247,886	354,015,311

	2011	2010
	(Rupees in '000)	
17 SUB-ORDINATED LOANS		
Term Finance Certificates II - Quoted, Unsecured	831,130	1,247,120
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	2011	2010
			(Rupees in '000)	
Term Finance Certificates III - Quoted, Unsecured			1,321,563	1,322,072
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 for 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			4,996,000	4,998,000
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 for 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			
			7,148,693	7,567,192

	Note	2011	2010
(Rupees in '000)			
18 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,534,618	3,125,510
Mark-up / return / interest payable in foreign currencies		260,400	238,160
Unearned commission and income on bills discounted		206,268	221,898
Accrued expenses		1,077,484	979,116
Current taxation		600,335	-
Payable against redemption of credit card reward points		109,947	111,547
Security deposits against leases		3,803,044	4,081,356
Exchange difference payable to the State Bank of Pakistan		19,811	30,912
Payable to brokers	18.1	19,271	728
Provision against off-balance sheet obligations	18.2	48,733	44,207
Workers' Welfare Fund	28.1	304,498	114,425
Others		443,345	310,357
		10,427,754	9,258,216

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

18.2 Provision against off-balance sheet obligations

Opening balance	44,207	37,623
Exchange adjustment	4,526	528
Charge for the year	-	6,056
Closing balance	48,733	44,207

19 SHARE CAPITAL

19.1 Authorised capital

2011 2010
(Number of shares)

2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000
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19.2 Issued, subscribed and paid up capital

2011 2010
(Number of shares)

		Ordinary shares of Rs. 10 each			
		Fully paid in cash			
624,750,000	624,750,000	- at the beginning of the year	6,247,500	6,247,500	
-	-	- during the year	-	-	
624,750,000	624,750,000		6,247,500	6,247,500	
		Issued as bonus shares			
724,406,250	724,406,250	- at the beginning of the year	7,244,063	7,244,063	
-	-	- during the year	-	-	
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	

	Note	2011	2010
		(Rupees in '000)	
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) arising on revaluation of:			
- Fixed assets	20.1	2,756,433	2,786,128
- Available for sale securities	20.2	180,719	(207,140)
		2,937,152	2,578,988
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets at January 1		3,496,545	3,533,605
Transferred to retained earnings in respect of incremental depreciation charged during the year		(29,695)	(29,695)
Related deferred tax liability in respect of incremental depreciation charged during the year		(15,990)	(15,990)
Reversal of deficit on account of disposal of property		-	636
Other reversal		-	7,989
		(45,685)	(37,060)
		3,450,860	3,496,545
Related deferred tax liability on surplus as at January 1		710,417	723,611
Deferred tax liability booked		-	2,796
Related deferred tax liability in respect of incremental depreciation charged during the year		(15,990)	(15,990)
		(15,990)	(13,194)
		694,427	710,417
		2,756,433	2,786,128
20.2 Surplus / (deficit) on revaluation of available for sale securities			
Deficit on:			
Government securities		(26,422)	(616,235)
Sukuk bonds		(23,198)	(30,411)
Surplus on:			
Quoted shares / units / certificates		296,369	329,587
Term finance certificates		31,281	(1,619)
		278,030	(318,678)
Related deferred tax (liability) / asset		(97,311)	111,538
		180,719	(207,140)
21 CONTINGENCIES AND COMMITMENTS			
21.1 Direct credit substitutes			
i) Government		743,446	875,489
ii) Banking companies & other financial institutions		28,110	6,972
iii) Others		836,347	2,345,386
		1,607,903	3,227,847
21.2 Transaction-related contingent liabilities			
i) Government		35,612,847	39,192,697
ii) Banking companies & other financial institutions		2,029,026	783,073
iii) Others		11,575,837	18,238,077
		49,217,710	58,213,847

	Note	2011	2010
(Rupees in '000)			
21.3 Trade-related contingent liabilities			
Letters of credit		54,734,036	46,125,101
Acceptances		10,482,204	5,200,075
21.4 Other contingencies			
Claims against the Bank not acknowledged as debts		6,791,219	4,738,505
21.5 Commitments in respect of forward lendings			
Forward repurchase agreement lendings		-	-
Commitments to extend credit		2,080,062	4,261,342
21.6 Commitments in respect of forward exchange contracts			
Purchase		29,873,142	32,707,614
Sale		22,734,732	20,936,061
21.7 Commitments for the acquisition of fixed assets		144,595	250,339
21.8 Commitments in respect of repo transactions			
Repurchase		5,495,710	1,812,780
Resale		6,118,181	1,726,402
21.9 Other commitments			
Donations		-	11,000
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.

	Note	2011	2010
		(Rupees in '000)	
23 MARK-UP / RETURN / INTEREST EARNED			
a) On loans and advances to:			
i) customers		25,726,230	24,923,043
ii) financial institutions		625,337	863,473
b) On investments in:			
i) held for trading securities		665,665	7,261
ii) available for sale securities		9,067,991	5,676,018
iii) held to maturity securities		7,085,551	5,273,320
c) On deposits with financial institutions		426,590	395,708
d) On securities purchased under resale agreements		326,635	181,785
e) Profit earned on ijarah assets net of depreciation	23.2	374,179	209,648
		44,298,178	37,530,256
23.1	These include mark-up earned of Rs. 8,062.131 million (2010: Rs. 4,896.987 million) which pertains to the Bank's Islamic Banking Division.		
		2011	2010
		(Rupees in '000)	
23.2 Profit earned on ijarah assets			
Lease rentals earned		1,298,356	678,131
Depreciation for the year		(924,177)	(468,483)
		374,179	209,648
24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		21,409,402	18,404,710
Securities sold under repurchase agreements		1,239,220	1,771,569
Other short term borrowings		1,679,352	2,371,834
Term Finance Certificates		1,156,146	1,109,062
Brokerage and commission		203,365	198,273
		25,687,485	23,855,448
25 GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
- Market Treasury Bills		59,550	64
- Pakistan Investment Bonds		12,111	1,440
Shares - listed		62,032	76,105
Sukuk Bonds		6,400	-
		140,093	77,609
26 OTHER INCOME			
Gain on sale of fixed assets		16,291	21,883
Postage, telex service charges etc.		1,737,704	1,280,930
Provision no longer required written back		29,314	-
		1,783,309	1,302,813

	Note	2011	2010
		(Rupees in '000)	
27 ADMINISTRATIVE EXPENSES			
Non executive directors fee & allowances		49,034	15,751
Salaries, allowances, etc.		5,856,577	5,195,344
Charge for defined benefit plan	34.7	230,502	145,379
Contribution to defined contribution plan	35	196,230	177,275
Rent, taxes, insurance, electricity, etc.		2,373,627	2,010,240
Legal and professional charges		136,508	220,224
Communications		490,267	491,168
Repairs and maintenance		876,224	804,161
Stationery and printing		226,402	188,592
Advertisement and publicity		298,049	382,908
Capital work-in-progress written off		-	99,423
Donations	27.1	11,720	27,570
Auditors' remuneration	27.2	16,028	13,881
Depreciation	11.2	1,690,968	1,620,372
Amortisation of intangible assets	11.3	182,816	172,949
Entertainment, vehicle running expenses, travelling and subscription		453,739	359,568
Others		743,405	653,275
		13,832,096	12,578,080
27.1 Donations			
Marie Adelaide Leprosy Center, Larkana		-	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
		11,720	27,570
None of the directors or their spouses had any interest in the donees.			
27.2 Auditors' remuneration			
Audit fee		5,200	4,550
Half yearly review		1,200	1,000
Special certifications and sundry advisory services		3,500	2,250
Out-of-pocket expenses		845	1,880
		10,745	9,680
Fee for audit of foreign branches		5,283	4,201
		16,028	13,881
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		9,858	25,500
Workers' Welfare Fund	28.1	190,073	51,165
		199,931	76,665
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.			

	2011	2010
	(Rupees in '000)	
29 TAXATION		
For the year		
Current	3,263,249	842,232
Deferred	(1,377,661)	(370,883)
For prior years		
Current	586,070	(262,137)
Deferred	631,070	191,081
	45,000	(71,056)
	1,930,588	400,293

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 2010, 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.

	2011	2010
	(Rupees in '000)	
29.2 Relationship between tax expense and accounting profit		
Profit before taxation	5,433,718	1,368,745
Tax at the applicable rate of 35% (2010: 35%)	1,901,801	479,061
Effect of:		
- income chargeable to tax at reduced rates	(47,927)	(51,106)
- permanent differences	3,450	8,740
- tax charge pertaining to overseas branches	10,997	23,018
- tax for prior years	45,000	(71,056)
- others	17,267	11,636
Tax expense for the year	1,930,588	400,293

30 BASIC / DILUTED EARNINGS PER SHARE

Profit after taxation for the year	3,503,130	968,452
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,349,156	1,349,156
	(Rupees)	
Basic / Diluted earnings per share	2.60	0.72

	2011	2010
	(Rupees in '000)	
31 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	50,882,662	41,197,841
Balances with other banks	17,424,487	16,179,255
Call money lendings	1,647,355	4,773,903
Overdrawn nostro accounts	(27,007)	-
	69,927,497	62,150,999

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 2011 (2010: AA [Double A]) for long term and A1+ [A one plus] for short term).

	2011	2010
	(Number of employees)	
33 STAFF STRENGTH		
Permanent	6,931	6,876
Temporary / On contractual basis	649	695
Bank's own staff strength at the end of the year	7,580	7,571
Outsourced	2,543	2,438
Total staff strength	10,123	10,009

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, 2011. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2011	2010
Discount factor used	12.50%	14.00%
Expected rate of return on plan assets	12.50%	12.00%
Expected rate of salary increase	12.50%	14.00%
Normal retirement age	60 Years	60 Years

	2011	2010
	(Rupees in '000)	
34.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	1,208,509	1,002,268
Fair value of plan assets	(964,669)	(677,430)
Net actuarial losses not recognised	(243,840)	(324,838)
	-	-

	2011	2010
	(Rupees in '000)	
34.3 Movement in defined benefit obligation		
Obligations at the beginning of the year	1,002,268	802,966
Current service cost	115,324	125,207
Interest cost	140,317	112,415
Benefits paid	(73,054)	(44,217)
Actuarial gain on obligation	23,654	5,897
Obligations at the end of the year	1,208,509	1,002,268

	2011	2010
	(Rupees in '000)	
34.4 Movement in fair value of plan assets		
Fair value at the beginning of the year	677,430	696,403
Expected return on plan assets	81,292	97,497
Contributions	230,502	145,379
Benefits paid	(73,054)	(44,217)
Actuarial gain / (loss) on plan assets	48,499	(217,632)
Fair value at the end of the year	964,669	677,430

34.5 Plan assets consist of the following:

Ordinary shares	64,538	104,423
Term Finance Certificates	107,820	92,847
Term Deposit Receipts	274,264	163,153
Pakistan Investment Bonds	20,635	18,844
Units of mutual funds	109,823	144,995
Cash and bank balances	387,589	153,168
	964,669	677,430

34.6 Movement in payable to defined benefit plan

Opening balance	-	-
Charge for the year	230,502	145,379
Bank's contribution to fund made during the year	(230,502)	(145,379)
Closing balance	-	-

34.7 Charge for defined benefit plan

Current service cost	115,324	125,207
Interest cost	140,317	112,415
Expected return on plan assets	(81,292)	(97,497)
Actuarial losses	56,153	5,254
	230,502	145,379

34.8 Actual return on plan assets

	129,791	(120,135)
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34.9 Historical information

	2011	2010	2009	2008	2007
	----- (Rupees in '000) -----				
Defined benefit obligation	1,208,509	1,002,268	802,966	737,369	546,346
Fair value of plan assets	964,669	677,430	696,403	468,272	352,811
Deficit	(243,840)	(324,838)	(106,563)	(269,097)	(193,535)
Experience adjustments on plan liabilities	(23,654)	(5,897)	132,730	(68,203)	(87,394)
Experience adjustments on plan assets	48,499	(217,632)	(3,935)	(28,212)	(2,673)

35 DEFINED CONTRIBUTION PLAN

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

During the year, the Bank contributed Rs. 196.230 million (2010: Rs. 177.275 million) in respect of this fund.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
-----Rupees in '000-----						
Fee	-	-	49,034	15,751	-	-
Bonus	12,244	10,185	-	-	279,999	261,581
Managerial remuneration	42,412	10,140	-	-	1,914,102	1,097,927
Post employment benefits	* 74,002	1,619	-	-	154,142	132,044
Rent and house maintenance	4,763	3,888	-	-	378,055	354,006
Utilities	1,191	972	-	-	90,617	82,991
	134,612	26,804	49,034	15,751	2,816,915	1,928,549
Number of persons	2	1	4	4	983	858

* This includes Rs 69.785 million as exgratia bonus paid to the former Chief Executive on cessation of employment.

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. Sub-ordinated loans are carried at redeemable face value as there is no requirement to revalue these under the accounting standards as applicable in Pakistan. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

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

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

	2011		2010	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange - net	29,873,142	30,213,935	32,707,614	32,437,045
Forward sale of foreign exchange - net	22,734,732	23,047,576	20,936,061	20,589,124

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2011			
	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Total
	-----Rupees in '000-----			
Total income	14,948,640	4,839,652	29,877,599	49,665,891
Total expenses	13,379,591	4,184,963	26,667,619	44,232,173
Net income	1,569,049	654,689	3,209,980	5,433,718
Segment assets	162,700,263	23,246,161	282,227,378	468,173,802
Segment non-performing loans	-	3,333,825	15,762,789	19,096,614
Segment provision required against loans and advances	-	2,574,849	10,353,994	12,928,843
Segment liabilities	11,304,288	8,532,084	422,560,392	442,396,764
Segment return on assets (ROA) (%)	13.41%	20.82%	12.66%	
Segment cost of funds (%)	11.93%	13.03%	10.65%	

	2010			
	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Total
	-----Rupees in '000-----			
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	122,145,258	23,662,933	265,675,648	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%	

39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers.

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:

		2011						
		Directors	Key Management Personnel	Group/ Associated Companies/ Others	Associates note 9.19.1	Subsidiary	Strategic Investments	Total
		(Rupees in '000)						
40.1	Deposits							
	Balance at the beginning of the year	28,787	44,256	148,053	1,227,613	4,621	18	1,453,348
	Placements during the year	162,952	526,924	57,718,261	19,110,891	257,059	-	77,776,087
	Withdrawals / Adjustments during the year	(97,113)	(530,189)	(56,117,355)	(19,033,960)	(259,469)	-	(76,038,086)
	Balance at the end of the year	94,626	40,991	1,748,959	1,304,544	2,211	18	3,191,349
		2010						
		(Rupees in '000)						
	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
40.2	Advances							
		2011						
		(Rupees in '000)						
	Balance at the beginning of the year	9,232	149,686	400,000	1,741,096	609,218	-	2,909,232
	Disbursements during the year	1,707	26,255	2,631,332	-	1,980,278	-	4,639,572
	Repayments / Adjustments during the year	(10,939)	(49,815)	(732,897)	(1,741,096)	(2,586,517)	-	(5,121,264)
	Balance at the end of the year	-	126,126	2,298,435	-	2,979	-	2,427,540
		2010						
		(Rupees in '000)						
	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
40.3	Investments							
		2011						
		(Rupees in '000)						
	Balance at the beginning of the year	-	-	50,000	5,686,949	76,000	120,000	5,932,949
	Investments during the year	-	-	20,986	-	750,000	-	770,986
	Redemptions / Adjustment during the year	-	-	4,776,589	(4,887,466)	-	-	(110,877)
	Balance at the end of the year	-	-	4,847,575	799,483	826,000	120,000	6,593,058
	Provisions held against investments	-	-	2,832,939	-	824,564	60,000	3,717,503
		2010						
		(Rupees in '000)						
	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
	Provisions held against investments	-	-	-	1,819,377	76,000	60,000	1,955,377

		2011						
		Directors	Key Management Personnel	Group/ Associated Companies/ Others	Associates note 9.19.1	Subsidiary	Strategic Investments	Total
		(Rupees in '000)						
40.4	Call borrowings / Repo							
	Balance at the beginning of the year	-	-	-	-	-	-	-
	Borrowing during the year	-	-	9,280,236	-	-	-	9,280,236
	Repayments during the year	-	-	(9,280,236)	-	-	-	(9,280,236)
	Balance at the end of the year	-	-	-	-	-	-	-

		2010						
		(Rupees in '000)						
	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	-	-	-	-	-	-	-

		2011						
		(Rupees in '000)						
40.5	Call lendings / Reverse Repo							
	Balance at the beginning of the year	-	-	-	-	-	-	-
	Placements during the year	-	-	10,198,203	-	-	-	10,198,203
	Withdrawals during the year	-	-	(10,198,203)	-	-	-	(10,198,203)
	Balance at the end of the year	-	-	-	-	-	-	-

		2010						
		(Rupees in '000)						
	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	2011	2010
		(Rupees in '000)		
40.6	Advances			
	Running finance			
	- Subsidiary company		2,979	9,218
	- Other related parties		1,798,436	1,741,096
	Long term loans			
	- Subsidiary company		-	600,000
	- Other related parties		626,125	558,918
40.7	Contingencies and commitments			
	Letters of credit and acceptance outstanding		242,798	27,690
	Guarantees outstanding		993,913	165,578

	Note	2011	2010
		(Rupees in '000)	
40.8 Customer accounts			
PLS accounts			
- Subsidiary company		-	-
- Other related parties		2,978,191	1,271,861
Current accounts			
- Subsidiary company		2,211	4,621
- Other related parties		80,153	112,570
Fixed deposit accounts			
- Other related parties		130,794	64,296
40.9 Balances with other banks			
- Balance with United Bank Limited		1,279,304	930,689
40.10 With subsidiary company			
Mark-up income		28,172	32,725
Brokerage expense		841	2,275
Rent income		7,037	3,298
Bank charges recovered		67	77
Provision made against investment		748,564	-
(Reversal) / Provision against financing to subsidiary		(605,427)	609,218
Mark-up receivable on advances		4,899	108,121
Provision held against investment		824,564	76,000
Rent receivable		2,960	3,603
Bank balances		2,211	-
Brokerage payable		84	214
40.11 With associates			
Insurance premium paid to Alfalah Insurance Company Limited		336,096	322,757
Rent income from Alfalah Insurance Limited		2,476	-
Capital loss on redemptions of units of Alfalah GHP Income Multiplier Fund		2,610	-
Mark-up income on advances		-	318,512
Mark-up expense on deposits		-	245,230
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges		-	136,524
Provision made during the year in respect of investment in Warid Telecom (Private) Limited - note 9.19.1		-	1,705,824
Provision made during the year in respect of investment in Wateen Telecom Limited - note 9.19.1		-	113,553

	Note	2011	2010
		(Rupees in '000)	
40.12 With other related parties			
Mark-up income on advances		363,304	-
Rent income from Warid Telecom (Private) Limited		20,089	
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited		70,639	36,916
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges		91,359	-
Provision made during the year in respect of investment in Warid Telecom (Private) Limited - note 9.19.1		839,892	-
Provision made during the year in respect of investment in Wateen Telecom Limited - note 9.19.1		173,670	-
Capital gain on sale of shares of United Bank Limited		442	1,353
Loss on redemption of units of UMMF / UGIF		-	5,641
Contribution to employees provident fund		196,230	177,275
Contribution to Gratuity fund		230,502	145,379
Provision made during the year in respect of strategic investments		-	53,963
Mark-up income on financing to group company		80,126	62,076
40.13 The key management personnel / directors compensation are as follows:			
Salaries and allowances		630,112	577,964
Advance against salary		3,000	-

In addition, the Chief Executive and certain Executives are provided with Bank maintained cars and other benefits.

41 CAPITAL ADEQUACY

41.1 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 fulfill 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 year.

41.2 Capital adequacy ratio as at December 31, 2011

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	2011 (Rupees in '000)	2010
Regulatory capital base			
Tier I capital			
Fully paid-up capital		13,491,563	13,491,563
Reserves (excluding foreign exchange translation reserves)		3,661,758	2,961,132
Unappropriated / unremitted profits (net of losses)		5,248,059	2,415,860
Less: Book value of intangibles		(664,136)	(662,956)
Shortfall in provisions required against classified assets irrespective of any relaxation allowed		-	(262,418)
Reciprocal investments in collective investment schemes managed by associated asset management company		(6,675)	-
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		(10,332)	(6,567)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(100,460)	(99,741)
Total Tier I capital		21,639,777	17,836,873
Tier II capital			
Subordinated debt (upto 50% of total Tier 1 capital)		4,833,909	5,598,739
General provisions for loan losses subject to 1.25% of total risk weighted assets		627,522	667,406
Revaluation reserve (upto 45%)		1,678,000	1,430,040
Foreign exchange translation reserves		438,506	858,001
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(100,460)	(99,741)
Total Tier II capital		7,477,477	8,454,445
Eligible Tier III capital		-	-
Total regulatory capital	(a)	29,117,254	26,291,318

	Capital requirements		Risk Weighted Assets	
	2011	2010	2011	2010
-----Rupees in '000-----				
Risk-weighted exposures				
Credit Risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	1,659,178	1,369,804	16,591,779	13,698,039
Public sector entities (PSEs)	412,238	524,644	4,122,381	5,246,440
Banks	1,666,464	1,704,327	16,664,637	17,043,266
Corporates	10,846,459	10,953,491	108,464,591	109,534,910
Retail portfolio	3,210,289	3,384,670	32,102,886	33,846,700
Residential mortgage finance	357,347	386,220	3,573,469	3,862,200
Listed equities and regulatory capital instruments issued by others banks	391,606	208,174	3,916,061	2,081,742
Unlisted equity investments	302,167	440,414	3,021,665	4,404,141
Fixed assets	1,280,742	1,354,160	12,807,418	13,541,599
Other assets	503,437	568,404	5,034,371	5,684,036
Past due exposures	745,675	917,444	7,456,749	9,174,438
Market risk				
Portfolios subject to standardised approach				
Interest rate risk	64,945	59,446	811,813	743,077
Equity position risk	-	11,498	-	143,724
Foreign exchange risk	31,990	10,338	399,875	129,221
Operational risk	2,877,207	2,440,497	35,965,088	30,506,215
Total	(b) 24,349,744	24,333,531	250,932,783	249,639,748
Capital adequacy ratio				
Total eligible regulatory capital held	(a) 29,117,254	26,291,318		
Total risk weighted assets	(b) 250,932,783	249,639,748		
Capital adequacy ratio	[a / b * 100]	11.60%	10.53%	

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 Bank uses these ECAs to rate its exposures denominated in Bangladeshi currency on certain corporates and banks incorporated in Bangladesh.

Credit exposures subject to standardised approach - on balance sheet exposures

Exposures	Rating category	2011			2010		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	8,078,709	899,457	7,179,252	4,806,361	-	4,806,361
PSEs	1	4,091,952	37,756	4,054,196	11,071,537	6,386,568	4,684,969
Banks	1,2,3	7,012,441	-	7,012,441	9,832,919	2,861,256	6,971,663
Banks	4,5	87,132	-	87,132	-	-	-
Banks - FCY claims less than three months	1,2,3	12,863,969	-	12,863,969	11,504,104	144	11,503,960
Banks - FCY claims less than three months	4,5	-	-	-	4,378	-	4,378
Banks - PKR claims less than three months		17,270,178	11,260,581	6,009,597	2,933,992	1,352,121	1,581,871
Corporates	1	19,671,355	-	19,671,355	13,880,493	310,696	13,569,797
Corporates	2	8,696,142	50,971	8,645,171	3,873,453	46,467	3,826,986
Corporates	3,4	983,336	-	983,336	1,581,111	73,755	1,507,356
Corporates	5,6	1,264,015	-	1,264,015	2,190,488	-	2,190,488
Retail portfolio		42,756,973	3,656,235	39,100,738	47,832,300	6,488,588	41,343,712
Unrated		118,018,637	24,098,010	93,920,627	149,992,738	46,891,615	103,101,123
Total		240,794,839	40,003,010	200,791,829	259,503,874	64,411,210	195,092,664

*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 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 requirements, significant steps have been taken by the Bank including review / revision of policies, procedures, rating models and introduction of rating based discretionary powers etc. Further the discretionary powers have been revamped to include presence of Credit Division even at the lowest level. Moreover, for Pillar 2 disclosures ICAAP exercise was also conducted.
- As a policy the reporting line of the risk management function has been kept completely independent of the businesses division.
- The Bank has acquired Temenos T24 banking system as its core banking solution. Bank is evaluating appropriate systems for risk management. Further Bank's existing systems are also being enhanced in line with the growing challenges.

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 the 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. The GM RMD reports directly to Chief Risk Officer who reports to CEO. Board Risk Management Committee ensures the Board level oversight of risks embedded in Bank's operations. Besides assisting the Board of Directors in determining the strategic direction of the Bank by providing them the risk perspective it ensures 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 emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of prudent practices the Risk Management Division conducts pre-fact validation of major cases from integrated risk point of view while the discretionary powers for Credit has been revamped to incorporate Obligor Risk Rating and presence of Credit Division even at lowest level. 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 & transaction risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security 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 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 system functionality has been enhanced to provide support to loan origination function and all the Credit Initiation process for Corporate Banking Group. The system is gradually being rolled out for other business groups as well.

The Bank has also developed Facility Rating System in line with SBP's guidelines. The implementation of facility Rating System, providing estimated LGD (Loss Given Default), will take place in due course with roll out of the Credit Initiation System in other business groups.

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 a 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 of 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 to.

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 or hypothecation. 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 for every business group. 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). Further, the Bank is in the process of developing Group Rating framework and is also working on the framework to restrict the per party / per group exposure limits based on the Internal Risk Rating of the obligor and the group.

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2011					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	16,829,514	7.96%	4,786,146	1.19%	475,208	0.42%
Automobile & Transportation						
Equipment	2,595,836	1.23%	5,240,253	1.31%	3,490,790	3.10%
Chemical and Pharmaceuticals	6,263,820	2.96%	3,675,305	0.92%	3,090,389	2.75%
Cement	1,596,337	0.76%	1,247,994	0.31%	829,755	0.74%
Communication	4,135,904	1.96%	12,239,814	3.05%	2,837,843	2.52%
Electronics and Electrical						
Appliances	3,292,240	1.56%	1,569,481	0.39%	649,001	0.58%
Educational Institutes	1,083,056	0.51%	4,804,148	1.20%	20,857	0.02%
Financial	7,870,983	3.72%	21,821,058	5.44%	32,163,825	28.59%
Fertilizers	6,846,625	3.24%	13,270,418	3.31%	578,384	0.51%
Food & Allied Products	4,341,969	2.05%	2,676,516	0.67%	877,256	0.78%
Glass & Ceramics	314,862	0.15%	417,834	0.10%	51,789	0.05%
Ghee & Edible Oil	5,709,566	2.70%	1,439,915	0.36%	3,767,027	3.35%
Housing Societies / Trusts	2,216,888	1.05%	21,250,321	5.30%	2,113	0.00%
Insurance	108,566	0.05%	1,787,598	0.45%	-	0.00%
Import & Export	2,290,455	1.08%	9,935,974	2.48%	1,582,603	1.41%
Iron / Steel	6,010,852	2.84%	3,729,885	0.93%	3,927,715	3.49%
Oil & Gas	10,725,000	5.07%	23,047,692	5.74%	12,794,176	11.37%
Paper & Board	2,584,211	1.22%	529,610	0.13%	531,131	0.47%
Production and Transmission						
of Energy	20,506,474	9.70%	10,529,560	2.62%	10,424,545	9.27%
Real Estate / Construction	3,040,685	1.44%	14,727,764	3.67%	3,166,510	2.81%
Retail / Wholesale Trade	8,066,241	3.82%	15,208,735	3.79%	1,409,078	1.25%
Rice Processing and Trading/ Wheat	6,505,090	3.08%	2,890,741	0.72%	72,547	0.06%
Sugar	3,799,617	1.80%	1,152,056	0.29%	569,929	0.51%
Shoes and Leather garments	1,941,127	0.92%	794,605	0.20%	611,558	0.54%
Sports Goods	305,744	0.14%	318,304	0.08%	101,781	0.09%
Surgical Goods	479,012	0.23%	412,808	0.10%	62,332	0.06%
Textile Spinning	14,114,457	6.68%	1,418,786	0.35%	444,783	0.40%
Textile Weaving	3,207,989	1.52%	1,126,758	0.28%	565,616	0.50%
Textile Composite	15,537,679	7.35%	2,578,022	0.64%	1,488,053	1.32%
Welfare Institutions	103,252	0.05%	7,142,547	1.78%	475	0.00%
Individuals	27,144,975	12.84%	116,104,408	28.94%	3,276,836	2.91%
Others	21,828,329	10.32%	93,372,830	23.26%	22,629,382	20.13%
	211,397,355	100.00%	401,247,886	100.00%	112,493,287	100.00%

	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%

* 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

	2011					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	23,618,336	11%	59,839,825	15%	31,022,278	28%
Private	187,779,019	89%	341,408,061	85%	81,471,009	72%
	211,397,355	100%	401,247,886	100%	112,493,287	100%

	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%

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

	2011		2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, forestry, hunting and fishing	508,009	218,891	505,944	151,541
Textile	4,220,895	2,821,821	2,122,295	1,499,801
Chemical and pharmaceuticals	113,975	62,959	150,496	88,372
Automobile and transportation equipment	225,571	100,599	193,169	71,549
Wholesale and retail trade	703,523	278,085	615,852	225,151
Individuals	3,495,241	2,649,206	3,997,042	2,914,175
Others	9,829,400	6,199,192	10,735,224	5,679,090
	19,096,614	12,330,753	18,320,022	10,629,679

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

	2011		2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	19,096,614	12,330,753	18,320,022	10,629,679
	19,096,614	12,330,753	18,320,022	10,629,679

42.1.4.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	-----Rupees in '000-----			
Pakistan	4,846,102	421,512,096	18,777,813	103,534,330
Asia Pacific (including South Asia)	531,605	39,845,950	6,612,525	6,157,862
Middle East	56,011	6,815,756	386,700	2,801,095
	5,433,718	468,173,802	25,777,038	112,493,287

	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

*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:

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	449,956,965	417,741,665	(6,838,139)	25,377,161
United States Dollar	16,762,600	18,346,095	1,868,000	284,505
Great Britain Pound	496,859	3,243,095	2,758,027	11,791
Japanese Yen	103,140	386,177	289,800	6,763
Euro	737,300	2,675,126	1,946,285	8,459
Other currencies	116,938	4,606	(23,973)	88,359
Total foreign currency exposure	18,216,837	24,655,099	6,838,139	399,877
Total currency exposure	468,173,802	442,396,764	-	25,777,038

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----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

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 deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles.

Mismatch of interest rate sensitive assets and liabilities

Effective Yield/ Interest Rate	2011							Non-interest bearing financial instruments
	Exposed to Yield/Interest risk							
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Above 10 Years
On-balance sheet financial instruments								
Assets								
Cash and balances with treasury banks	95,34,038	44,97,29	-	-	-	-	-	41,34,624
Balances with other banks	5,07,863	-	-	-	-	-	-	11,89,127
Lending to financial institutions	7,75,407	7,75,407	-	-	7,476	-	-	-
Investments	16,63,176	34,85,149	56,60,654	38,09,170	3,59,728	15,63,534	7,65,717	4,86,812
Advances	19,84,651	22,65,719	37,70,912	59,80,701	91,18,620	14,09,295	12,08,820	9,94,155
Other assets	12,23,193	47,76,945	94,37,656	97,89,441	13,67,936	29,52,838	19,38,237	12,23,193
Liabilities								
Bills payable	5,40,345	-	-	-	-	-	-	-
Borrowings	18,16,978	7,09,618	8,81,163	-	-	-	-	5,40,345
Deposits and other accounts	40,74,686	21,23,114	20,31,534	126,18,375	94,83,318	1,50,84,06	1,37,299	27,006
Sub-ordinated loans	9,25,693	77,23,951	4,76,107	477	954	954	794,030	146,94,389
Other liabilities	-	-	-	-	-	-	-	-
On-balance sheet gap	44,12,470	28,48,732	40,48,027	126,12,852	94,92,72	1,50,93,60	28,97,309	9,294,155
Off-balance sheet financial instruments								
Forward exchange contracts - purchase	11,84,702	6,71,088	1,633,047	-	-	-	-	-
Forward exchange contracts - sale	22,34,732	5,65,874	6,074,351	-	-	-	-	-
Repo transactions resale	6,11,811	-	-	-	-	-	-	-
Repo transactions repurchase	5,495,710	-	-	-	-	-	-	-
Off-balance sheet gap	7,76,881	6,93,625	1,41,328	637,737	-	-	-	-
Total yield / interest rate risk sensitivity gap	26,24,438	32,137,618	54,534,029	26,596,364	12,730,074	11,206,988	28,597,309	9,294,155
Cumulative yield / interest rate risk sensitivity gap	26,24,438	4,306,720	58,940,749	32,244,385	44,974,459	56,181,447	84,778,756	101,822,837

Effective Yield/ Interest Rate	2010							Non-interest bearing financial instruments
	Exposed to Yield/Interest risk							
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Above 10 Years
On-balance sheet financial instruments								
Assets								
Cash and balances with treasury banks	7,941,803	1,456,097	1,332,685	680,946	-	-	-	33,256,038
Balances with other banks	4,61,061	-	-	-	-	-	-	8,093,466
Lending to financial institutions	4,964,519	1,096,383	428,184	-	8,470	-	-	-
Investments	113,625,861	49,915,213	29,698,460	10,899,908	1,298,409	1,747,228	3,155,523	3,021,358
Advances	207,152,546	30,256,278	32,987,259	63,720,224	11,511,327	6,904,273	10,950,757	12,867,479
Other assets	12,121,527	-	-	-	-	-	-	12,121,527
Liabilities								
Bills payable	396,574,586	83,082,123	64,446,588	75,301,078	12,809,736	8,659,971	13,906,280	56,892,389
Borrowings	4,521,533	-	-	-	-	-	-	-
Deposits and other accounts	13,700,724	3,899,564	9,150,442	-	-	-	-	4,521,533
Sub-ordinated loans	354,015,311	24,138,591	26,964,772	122,430,521	961,846	1,336,464	58,780	124,887,257
Other liabilities	7,567,192	-	5,184,623	477	954	954	1,908	-
On-balance sheet gap	388,745,394	28,038,155	53,536,461	41,299,837	122,430,998	962,800	1,337,418	60,688
Off-balance sheet financial instruments								
Forward exchange contracts - purchase	7,829,192	2,641,870	23,146,751	(47,129,920)	11,846,936	7,322,553	13,845,592	11,725,904
Forward exchange contracts - sale	-	-	-	-	-	-	-	-
Repo transactions resale	32,707,614	13,161,813	7,825,022	24,194,999	35,476	-	-	-
Repo transactions repurchase	20,936,061	9,486,532	4,849,724	8,19,940	-	-	-	-
Off-balance sheet gap	11,685,175	3,888,903	2,945,157	1,599,559	35,476	-	-	-
Total yield / interest rate risk sensitivity gap	30,004,773	33,961,742	25,191,908	(65,530,361)	11,882,412	7,322,553	13,845,592	11,725,904
Cumulative yield / interest rate risk sensitivity gap	30,004,773	63,966,515	89,158,423	43,628,062	55,510,474	62,833,027	76,678,619	88,404,523

Note
2011
2010
(Rupees in '000)

42.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities

Total financial assets as per note 42.3.1	453,303,029	396,574,586
Add: Non financial assets		
Operating fixed assets	13,388,683	14,204,555
Deferred tax assets	421,825	-
Other assets	1,060,265	704,698
Total assets as per statement of financial position	468,173,802	411,483,839
Total liabilities as per note 42.3.1	441,234,702	388,745,394
Add: Non financial liabilities		
Deferred tax liabilities	-	115,919
Other liabilities	1,162,062	316,982
Total liabilities as per statement of financial position	442,396,764	389,178,295

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 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' (CFP) in place to address liquidity issues in times of stress / crisis situations. The CFP is regularly reviewed and updated. Further the bank has designed different scenarios of cash outflows to stress test efficacy of its liquid assets and its impact on Profit & Loss. The results are regularly reviewed by ALCO for taking appropriate measures.

Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank
2011

	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	16,129,477	449,729	-	-	-	-	-	-	34,753,185
Balances with other banks	16,974,758	-	-	-	-	-	-	-	-
Lending to financial institutions	7,757,931	-	-	-	7,476	-	-	-	-
Investments	5,707,707	13,821,908	37,537,981	51,151,125	27,115,989	4,239,351	15,983,555	10,174,668	799,484
Advances	198,468,512	22,657,219	37,770,912	59,807,701	11,114,882	9,118,620	14,093,295	12,080,819	92,941,555
Fixed assets	91,277	182,551	273,827	547,653	1,095,307	1,095,307	401,825	1,596,231	6,462,401
Deferred Tax Assets	421,825	-	-	-	-	-	-	-	-
Other assets	13,290,458	124,461	186,692	289,795	107,669	107,669	161,503	161,499	-
	468,173,802	81,349,229	75,769,412	111,796,274	39,441,323	14,560,947	32,704,307	24,013,217	51,309,225
Liabilities									
Bills payable	5,403,453	-	-	-	-	-	-	-	-
Borrowings	18,168,978	952,236	8,981,663	-	-	-	-	1,108,454	-
Deposits and other accounts	401,247,886	41,870,985	29,425,673	55,244,520	59,451,680	113,429,247	32,866,879	30,242,210	-
Sub-ordinated loans	7,148,693	416,819	416,819	856,999	882,876	2,000	1,665,330	3,324,669	-
Other liabilities	10,427,754	5,027,051	506,059	1,549,216	1,026,822	1,026,822	1,026,822	152,120	-
	442,396,764	56,273,821	39,330,214	57,650,735	61,361,378	114,458,069	35,559,031	34,827,453	-
Net assets	25,777,038	25,069,408	36,439,198	54,145,539	(21,920,055)	(99,897,122)	(2,854,724)	(10,814,236)	51,309,225
Share capital	13,491,563	-	-	-	-	-	-	-	-
Reserves	4,100,264	-	-	-	-	-	-	-	-
Unappropriated profit	5,248,059	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,937,152	-	-	-	-	-	-	-	-
	25,777,038	-	-	-	-	-	-	-	-

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.

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	1,332,685	680,946	-	-	-	-	29,870,207
Balances with other banks	12,709,527	1,096,383	428,184	-	-	-	-	-	-
Lending to financial institutions	4,964,519	21,342,666	16,917,880	13,399,908	9,552,392	20,019,606	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	6,904,273	10,750,757	7,740,519	12,667,479
Advances	207,152,546	207,863	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	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	-	-	-	-	-	-	650,118	-
Deposits and other accounts	354,015,311	55,645,856	29,072,167	37,949,070	48,006,946	93,226,447	33,498,635	17,913,478	-
Sub-ordinated loans	7,567,192	-	1,494	416,879	1,273,943	882,876	4,000	4,988,000	-
Deferred tax liabilities	115,919	-	-	668,848	1,101,966	1,101,966	1,101,966	163,254	-
Other liabilities	9,258,216	55,741,258	38,731,783	39,034,797	50,382,855	95,211,289	34,720,520	23,714,850	-
	389,178,295	51,640,943	38,731,783	39,034,797	50,382,855	95,211,289	34,720,520	23,714,850	-
Net assets	22,305,544	23,200,575	13,477,895	39,948,472	(27,933,204)	(66,895,008)	(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	-	-	-	-	-	-	-	-

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.

42.5 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 duly approved by the Board and Risk Management Manual includes Operational risk portion, which covers the strategies, processes, structure and functions of Operational risk management and provide guidelines to identify, assess, monitor, control & report operational risk in a consistent & transparent manner across the Bank.

42.5.1 Operational Risk Disclosures - Basel II Specific

Currently, The Bank is using the 'Basic Indicator Approach' for calculating the capital charge for Operational Risk. However, The Bank intends to move towards the 'Alternative Standardised Approach' and for this purpose, the mapping of business activities into Basel defined business lines has already been completed and request been sent to SBP for a parallel run.

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. Bank has duly launched Operational Loss Database and Key Risk Indicators (KRIs) systems which are web based and the same has been launched on a bank wide basis.

As required by Basel II, the 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

BAL's Information Security Policy and Business Continuity Plan (BCP) have been approved by the Board of Directors and is 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 YEAR END REPORTING DATE

The Board of Directors in its meeting held on March 01, 2012 has announced cash dividend of 17.5 percent (2010: Nil cash dividend). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2012.

44 DATE OF AUTHORISATION

These financial statements were authorised for issue on March 01, 2012 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 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

Director

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000
OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2011			Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others					
1	2	3	4	5	6	7	8	9	10	11	12
1	Pamir Traders G t Road, Mingora	Arif Iqbal CNIC # 15602-0314451-3	Iqbal Rehman	9,498	1,508	-	11,006	2,809	-	-	2,809
2	Monis Mobile city	Mohamad Danish Ghazyani CNIC # 35201-1541591-1	Mohammad Farooq	8,659	1,789	-	10,448	1,299	1,789	-	3,088
3	Habib Ullah Tariq HOUSE # 183, BLOCK B, PHASE I, STATE LIFE INSURANCE HOUSING SOCIETY, Lahore	Habib ullah Tariq CNIC # 35201-6875421-1	Malik Inayat Ullah	521	214	-	735	521	214	-	735
	Total		Total	18,678	3,511	-	22,189	4,629	2,003	-	6,632

ANNEXURE - II ISLAMIC BANKING BUSINESS

The bank is operating 85 Islamic banking branches as at December 31, 2011 (December 31, 2010: 80 branches).

	2011	2010
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	11,086,858	6,557,813
Balances with and due from financial institutions	5,842,516	3,863,809
Lendings to financial institutions	-	-
Investments - net	42,926,997	22,030,393
Advances - net	25,262,319	25,957,935
Fixed assets	1,666,293	1,638,634
Other assets	6,550,952	5,159,502
	93,335,935	65,208,086
LIABILITIES		
Bills payable	636,466	495,152
Borrowings	2,492,367	1,365,090
Deposits and other accounts	80,780,324	55,393,390
Sub-ordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,376	1,376
Other liabilities	3,194,017	3,135,883
	87,104,550	60,390,891
NET ASSETS	6,231,385	4,817,195
REPRESENTED BY		
Islamic banking fund	1,800,000	1,800,000
Exchange equalisation reserve	10,243	12,050
Unappropriated / Unremitted profit	3,678,579	2,247,807
	5,488,822	4,059,857
Surplus on revaluation of assets - net of tax	742,563	757,338
	6,231,385	4,817,195
Remuneration to Shariah Advisor / Board	1,500	1,500
CHARITY FUND		
Opening balance	25,111	10,808
Additions during the year	65,233	50,181
Payments / Utilization during the year	47,300	35,878
Closing balance	43,044	25,111

ANNEXURE - II ISLAMIC BANKING BUSINESS

The bank is operating 85 Islamic banking branches as at December 31, 2011 (December 31, 2010: 80 branches).

	2011	2010
	(Rupees in '000)	
Income / return earned	8,062,131	4,896,987
Income / return expensed	4,345,541	2,421,001
Net income / return before depreciation on asset given on lease	3,716,590	2,475,986
Depreciation on assets given on lease	924,177	468,483
Net income / return earned after depreciation	2,792,413	2,007,503
Provisions against loans and advances - net	23,046	29,664
Provision for diminution in value of investments - net	14,917	-
Bad debts written off directly	1,558	5,281
	39,521	34,945
Net income / return earned after provisions	2,752,892	1,972,558
OTHER INCOME		
Fee, commission and brokerage income	114,326	110,417
Dividend income	33,752	42,913
Income from dealing in foreign currencies	45,345	42,479
Gain on sale of securities - net	-	-
Unrealised gain on revaluation of investments classified as held for trading	-	-
Other income	380,417	236,348
Total other income	573,840	432,157
	3,326,732	2,404,715
OTHER EXPENSES		
Administrative expenses	1,896,085	1,432,771
Other charges	150	1,991
Total other expenses	1,896,235	1,434,762
	1,430,497	969,953
PROFIT BEFORE TAXATION		
Unappropriated profit brought forward	2,247,807	1,277,579
Transferred from surplus on revaluation of fixed assets - net of tax	275	275
Profit available for appropriation / unremitted profit	3,678,579	2,247,807

BANK ALFALAH LIMITED SHARIAH ADVISOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

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 practiced by Bank Alfalah Islamic Banking Group and agreements related to transactions entered into during the year ended 31 December 2011. I have performed the necessary review with the assistance of Product Development and Shariah Compliance [PDSC] Department, to enable me to express an opinion as to whether or not the bank complied with Islamic Shari'ah Guidance as well as with the religious opinions and specific resolutions and guidelines which were issued by me.

In my opinion the activities and transactions performed by Bank Alfalah Islamic Banking Group during the year 2011, as a whole, are in compliance with the principles and guidelines of Shariah and other guidelines issued by its Shariah Advisor and State Bank of Pakistan.

The allocation of Profit and charging of Losses to remunerative accounts are in conformity with the basis that has been approved by Shariah Advisor in accordance with Shariah rules and principles.

As a result of examination conducted by me, income of PKR 5,780,998.14 has been transferred to the Charity Account, rendering Bank Alfalah Ltd - Islamic Banking Group's remaining income to be pure and Halal. In addition, an amount of PKR 286,667.48 was refunded to Customers in instances where Bank was deemed ineligible to retain the profit.

During the year an amount of PKR 58,178,264.46 was transferred to the Charity Account due to delayed payments by the Bank's customers. An amount totaling PKR 47,300,414.81 was disbursed from the Charity Account to various charitable institutions across all 4 provinces of the country in the spheres of Education, Health and Welfare.

The Department of Internal Shariah Audit was established in Bank Alfalah in year 2011 which conducted audit of 65 out of 80 branches of Bank Alfalah's Islamic Banking Group. All reports related to the audit of the Islamic Banking Group were presented before Shariah Advisor for his comments and later on Audit Department ensured strict compliance of Shariah Advisor's decisions noted therein.

Product Development and Shariah Compliance Department at Bank Alfalah performed its duties and responsibilities dedicatedly throughout the year. Around 30 Transactional Process Flows for Corporate Customers were presented to Shariah Advisor for their approval. Likewise, Process Flow and Checklist for Corporate Machinery on Ijarah Product were also finalized.

During Year 2011, various seminars on Islamic Banking for awareness of Customers (Corporate, SME and Consumer) were conducted at different cities of all Regions i.e. Faisalabad, Lahore, Gujranwala, Bahawalpur, Sangala Hill, Multan and Karachi. In all seminars Shariah Advisor himself presented introduction of Islamic Banking and chaired the question and answer sessions.

In my opinion following are some areas which require further improvements:

1. Although Bank Alfalah Islamic Banking provided opportunity of internal training to 447 staff members and 34 officers completed Islamic banking certificate course from NIBAF, however due to continuous increase in number of branches and employees the focus on training and development needs to be further enhanced in the coming years. Particularly it should be ensured that new hired staff should first be sent to introductory courses in Islamic Banking before inducting them to their functions.
2. During the year 2011, around 33% of the total Consumer Assets were insured through Takaful (Shariah Compliant Alternate of Conventional Insurance). However this percentage needs to be improved further and management should make an aggressive plan to shift business from Insurance to Takaful gradually.
3. Although, Bank 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.
4. Bank should focus on launching new deposit schemes that could give higher returns and added benefits to lower income segments. May Allah bless us with His Guidance and make us successful here and in the hereafter and forgive our mistakes.

Wassalam Alaikum Wa Rahamat Allah Wa Barakatuh.

DR. KHALIL AHMAD AAZAMI
SHARIAH ADVISOR
BANK ALFALAH LIMITED - ISLAMIC BANKING GROUP
February 22, 2012 / Rabi-UL-Awwal 29, 1433 A.H.



**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 (the Holding Company) and its subsidiary company, Alfalah Securities (Private) Limited as at December 31, 2011 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 of the Holding Company, except for thirty five 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, 2011 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, 2012

Karachi

BANK ALFALAH LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	50,882,662	41,197,841
Balances with other banks	7	17,424,524	16,180,533
Lendings to financial institutions	8	7,765,407	6,497,556
Investments - net	9	166,648,636	113,622,561
Advances - net	10	198,468,512	207,152,054
Fixed assets	11	13,427,693	14,251,595
Deferred tax assets	12	421,742	-
Other assets	13	13,306,612	12,901,742
		468,345,788	411,803,882
LIABILITIES			
Bills payable	14	5,403,453	4,521,533
Borrowings	15	18,168,978	13,700,124
Deposits and other accounts	16	401,245,675	354,010,690
Sub-ordinated loans	17	7,148,693	7,567,192
Liabilities against assets subject to finance lease	18	1,328	5,910
Deferred tax liabilities	12	-	993,325
Other liabilities	19	10,474,397	9,357,097
		442,442,524	390,155,871
NET ASSETS		25,903,264	21,648,011
REPRESENTED BY			
Share capital	20	13,491,563	13,491,563
Reserves		4,100,264	3,819,133
Share in share premium of associate		-	1,968,435
Accumulated profit / (losses)		5,534,195	(72,693)
		23,126,022	19,206,438
Non-controlling interest in equity		(11,066)	(27,570)
		23,114,956	19,178,868
Surplus on revaluation of assets - net of tax	21	2,788,308	2,469,143
		25,903,264	21,648,011
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		(Rupees in '000)	
Mark-up / return / interest earned	24	44,166,897	37,530,398
Mark-up / return / interest expensed	25	25,688,287	23,854,578
Net mark-up / interest income		18,478,610	13,675,820
Provision against loans and advances - net	10.5	2,470,749	2,214,527
Provision for diminution in the value of investments	9.20	1,710,730	171,815
Bad debts written off directly	10.6	5,696	25,504
Net mark-up / interest income after provisions		4,187,175	2,411,846
Non mark-up / interest income			
Fee, commission and brokerage income		2,170,361	2,036,500
Dividend income		156,926	149,840
Income from dealing in foreign currencies		1,115,417	1,133,544
(Loss) / Gain on deemed disposal of associate		(34,071)	209,526
Gain on sale of securities - net	26	149,727	67,169
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	9.22	(11,053)	3,300
Other income	27	1,780,916	1,303,847
Total non mark-up / interest income		5,328,223	4,903,726
Non mark-up / interest expenses			
Administrative expenses	28	13,880,361	12,658,021
Provision against off-balance sheet obligations	19.2	-	6,056
Provision against other assets	13.3	184,993	94,916
Other charges	29	199,931	76,665
Total non mark-up / interest expenses		14,265,285	12,835,658
Share of profit / (loss) of associates		5,354,373	3,332,042
Extra ordinary / unusual items		28,778	(1,266,932)
Profit before taxation		5,383,151	2,065,110
Taxation	30		
- Current		3,265,316	845,155
- Deferred		(1,378,346)	276,763
- Prior years		(831,639)	(71,056)
Share in tax of associates		1,932	(152,735)
Profit after taxation		1,057,263	898,127
Profit / loss attributable to:			
Equity holders of the parent		4,325,888	1,166,983
Non-controlling interest		4,333,715	1,194,553
		(7,827)	(27,570)
		4,325,888	1,166,983
Basic / diluted earnings per share attributable to the equity holders of the parent	31	3.21	0.89

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	(Rupees in '000)	
Profit after taxation	4,325,888	1,166,983
Other comprehensive income		
Exchange differences on translation of net investment in foreign branches	(419,495)	37,474
Comprehensive income - transferred to statement of changes in equity	3,906,393	1,204,457
Components of comprehensive income not reflected in equity		
Surplus / (Deficit) on revaluation of available for sale securities - net of tax	348,860	(518,107)
Total comprehensive income	4,255,253	686,350
Total comprehensive income attributable to:		
Equity holders of the parent	4,263,080	713,920
Non-controlling interest	(7,827)	(27,570)
	4,255,253	686,350

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,383,151	2,065,110
Share of (profit) / loss of associates		(28,778)	1,266,932
Less: Dividend income		(156,926)	(149,840)
		5,197,447	3,182,202
Adjustments			
Depreciation	28	1,707,729	1,631,032
Amortisation	28	183,599	173,833
Provision against loans and advances - net	10.5	2,470,749	2,214,527
Provision for diminution in value of investments	9.20	1,710,730	171,815
Provision against off-balance sheet obligations	19.2	-	6,056
(Loss) / gain on deemed disposal of associate		34,071	(209,526)
Provision against other assets	13.3	184,993	94,916
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	9.22	11,053	(3,300)
Bad debts written-off directly	10.6	5,696	25,504
Gain on sale of fixed assets - net	27	(20,246)	(25,202)
Charge for defined benefit plan	28	230,502	145,379
		6,518,876	4,225,034
		11,716,323	7,407,236
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,394,400)	9,513,386
Held for trading securities		(10,151,080)	(778,435)
Advances		6,207,097	(21,370,593)
Other assets (excluding tax recoverable and dividend receivable)		(866,352)	1,616,007
		(9,204,735)	(11,019,635)
Increase / (decrease) in operating liabilities			
Bills payable		881,920	755,389
Borrowings		4,441,847	(6,953,797)
Deposits and other accounts		47,234,985	29,267,301
Other liabilities		521,753	(740,792)
		53,080,505	22,328,101
		55,592,093	18,715,702
Gratuity paid		(230,502)	(145,379)
Income tax paid		(1,825,168)	(469,047)
Net cash generated from operating activities		53,536,423	18,101,276
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(57,100,559)	(16,119,992)
Net investments in held to maturity securities		12,918,897	816,817
Redemption in associated companies		100,586	210,000
Dividend income received - associated companies		34,782	37,628
Dividend income received - other than associated companies		174,884	154,659
Investments in fixed assets		(1,079,966)	(1,533,703)
Proceeds from sale of fixed assets		32,786	47,532
Net cash used in investing activities		(44,918,590)	(16,387,059)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated loans		(418,499)	(2,989)
Dividend paid		-	(1,079,325)
Payment against lease obligation		(4,582)	(6,448)
Net cash used in financing activities		(423,081)	(1,088,762)
Exchange difference on translation of the net investments in foreign branches		(419,495)	37,474
		7,775,257	662,929
Increase in cash and cash equivalents		62,152,277	61,489,348
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year	32	69,927,534	62,152,277

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Attributable to the equity holders of the Parent						Total
	Share capital	Statutory reserve*	Exchange translation reserve	Unappropriated profit	Share in share premium of associate	Non-controlling interest	
	(Rupees in '000)						
Balance at January 1, 2010	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
Changes in equity for 2011							
Comprehensive income for the year ended December 31, 2011	-	-	(419,495)	4,325,888	-	-	3,906,393
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	29,695	-	-	29,695
Transfer from share in share premium of associate to unappropriated profit	-	-	-	1,968,435	(1,968,435)	-	-
Non controlling interest acquired during the year	-	-	-	(24,331)	-	24,331	-
Loss attributable to minority shareholders	-	-	-	7,827	-	(7,827)	-
Transfer to statutory reserve	-	700,626	-	(700,626)	-	-	-
Balance at December 31, 2011	13,491,563	3,661,758	438,506	5,534,195	-	(11,066)	23,114,956

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

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Director

Director

BANK ALFALAH LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 313 conventional banking branches including 19 sub branches (2010: 298 branches including 18 sub branches), 7 overseas branches (2010: 7 branches), 85 Islamic banking branches (2010: 80 branches) and 1 offshore banking unit (2010: 1 unit).

Subsidiary Company

- Alfalah Securities (Private) Limited - 97.18 percent holding

The group has invested in 97.18 percent (2010: 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:

	2011	2010
	Percentage of shareholding	
Alfalah Insurance Company Limited	30 percent	30 percent
Alfalah GHP Value Fund - Fund managed by Alfalah GHP Investment Management Limited	34.19 percent	33.18 percent
Alfalah GHP Income Multiplier Fund - Fund managed by Alfalah GHP Investment Management Limited	98.53 percent	96.38 percent
Alfalah GHP Islamic Fund - Fund managed by Alfalah GHP Investment Management Limited	96.72 percent	96.11 percent
Alfalah GHP Investment Management Limited	40.22 percent	40.22 percent

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 company is 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. Accounting policies of the Subsidiary have been changed, where necessary, in the preparation of the consolidated financial statements.

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.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' 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.

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

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

3.5 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.

3.6 New and amended standards and interpretations that are effective in the current year:

The following new and amended standards and interpretations have been published and are mandatory for the Group's accounting period beginning 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 has adopted the above amendment with effect from January 1, 2011. The Group's current policy and disclosures are in line with the requirements prescribed by SBP as described in note 3.3 and accordingly, the above amendment does not have any impact on the Group's consolidated financial statements.

- (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 revised standard does not have any effect on the Group's consolidated financial statements.
- (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. The amendment does not have any significant impact on the Group's consolidated financial statements.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2011 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.

3.7 New and amended standards and interpretations issued but not yet effective and not early adopted:

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, 2012 and have not been early adopted by the Group.

- (a) IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Because of the reasons described in note 3.3 above, this amendment will not have any impact on the Group's consolidated financial statements.
- (b) IAS 12, 'Income taxes' (effective January 1, 2012), currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Since IAS 40 has been deferred as mentioned note 3.2, therefore, the amendment will not have any impact on the Group's consolidated financial statements.
- (c) IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The management is yet to assess the full impact of the amendments.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2012 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.

3.8 Early adoption of standards

The Group did not early adopt any new or amended standards in 2011.

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 off to the 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)
- v) depreciation / amortisation of operating fixed assets (notes 5.5 and 11).

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to all years presented, unless otherwise specified.

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 three 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

5.3.1 Classification

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 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.

5.3.3 Regular way contracts

All purchases and sales of 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.

5.3.4 Initial recognition and measurement

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

5.3.5 Subsequent measurement

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 included in the statement of comprehensive income but is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost in accordance with the requirements specified by the State Bank of Pakistan.

Unquoted equity securities are valued at lower of cost and the 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

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 / (deficit) 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.

Net investment in finance lease

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

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) are stated at revalued amount less accumulated depreciation.

Depreciation is charged to income by 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 reporting 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 reporting 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 reporting 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 reporting 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 the 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 reporting 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. Income is recognised net of depreciation charged in the profit and loss account.

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.

Other income is recognised on accrual basis.

5.15 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group 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 reporting 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 reporting date.

Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting 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 reporting date, are recognised 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	2011	2010
(Rupees in '000)			
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit 2011: Rs. 65 million, 2010: Rs. 18.273 million)		8,628,840	6,469,590
Foreign currencies		2,227,034	1,981,549
With State Bank of Pakistan in			
Local currency current accounts	6.1	18,680,420	15,435,220
Foreign currency current accounts	6.2	1,889,451	2,167,050
Foreign currency deposit accounts	6.3	4,248,803	5,322,509
With other central banks in			
Foreign currency current accounts	6.4	4,649,277	4,326,134
Foreign currency deposit accounts	6.4	5,285,235	2,619,294
With National Bank of Pakistan in			
Local currency current accounts		5,245,827	2,850,697
National Prize Bonds		27,775	25,798
		50,882,662	41,197,841

- 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.

	Note	2011	2010
(Rupees in '000)			
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		1,608,576	1,012,764
On deposit accounts	7.1	2,504,822	157,784
Outside Pakistan			
On current accounts	7.2	10,287,588	7,081,980
On deposit accounts	7.3	3,023,538	7,928,005
		17,424,524	16,180,533

7.1 This represents funds deposited with various banks at a profit rate of 5.00% per annum (2010: 5.00% per annum).

7.2 This includes amount held in Automated Investment Plans. The balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

7.3 This includes placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.17% to 3.08% per annum (2010: 0.20% to 2.75% per annum) with maturities upto March 2012 (2010: August 2011).

8 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	1,654,831	4,782,374
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	6,110,576	1,715,182
		7,765,407	6,497,556

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

8.2 Particulars of lendings to financial institutions

In local currency		6,110,576	1,828,182
In foreign currencies		1,654,831	4,669,374
		7,765,407	6,497,556

8.3 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 11.90% to 12.45% per annum (2010: 13.00% to 13.75% per annum) with maturities upto January 2012 (2010: January 2011).

8.4 Securities held as collateral against lendings to financial institutions

	2011			2010		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	6,004,855	-	6,004,855	1,354,455	-	1,354,455
Pakistan Investment Bonds	105,721	-	105,721	360,727	-	360,727
	6,110,576	-	6,110,576	1,715,182	-	1,715,182

9 INVESTMENTS - NET

9.1 Investments by types

Note	2011			2010		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
-----Rupees in '000-----						
Held for trading securities						
Market Treasury Bills	11,165,299	-	11,165,299	966,392	-	966,392
Pakistan Investment Bonds	24,036	-	24,036	-	-	-
Fully paid up ordinary shares / units - Listed	-	-	-	68,563	-	68,563
	11,189,335	-	11,189,335	1,034,955	-	1,034,955
Available for sale securities						
Market Treasury Bills	58,775,372	5,453,995	64,229,367	38,370,301	1,784,997	40,155,298
Pakistan Investment Bonds	19,217,132	20,000	19,237,132	8,524,388	24,882	8,549,270
Fully paid up ordinary shares / units - Listed	2,228,609	-	2,228,609	1,408,090	-	1,408,090
Fully paid up ordinary shares / units - Unlisted	2,790,793	-	2,790,793	129,821	-	129,821
Term Finance Certificates	1,604,182	-	1,604,182	1,588,852	-	1,588,852
Preference Shares - Unlisted	40,000	-	40,000	40,000	-	40,000
Sukuk Bonds	39,258,740	-	39,258,740	17,509,348	-	17,509,348
	123,914,828	5,473,995	129,388,823	67,570,800	1,809,879	69,380,679
Held to maturity securities						
Market Treasury Bills	6,249,095	-	6,249,095	4,836,816	-	4,836,816
Pakistan Investment Bonds	8,692,619	-	8,692,619	3,946,980	-	3,946,980
Term Finance Certificates	628,920	-	628,920	19,069,480	-	19,069,480
Pakistan Dollar Bonds	420,937	-	420,937	395,673	-	395,673
Pakistan Euro Bonds	895,587	-	895,587	845,772	-	845,772
Credit Linked Note	449,729	-	449,729	856,367	-	856,367
Overseas Bonds	5,836,567	-	5,836,567	4,213,216	-	4,213,216
Preference Shares - Unlisted	120,983	-	120,983	202,744	-	202,744
Sukuk Bonds	3,532,890	-	3,532,890	5,379,176	-	5,379,176
	26,827,327	-	26,827,327	39,746,224	-	39,746,224
Associates						
Warid Telecom (Private) Limited	9.18.1	-	-	2,660,972	-	2,660,972
Wateen Telecom Limited	9.18.1	-	-	337,992	-	337,992
Alfalah Insurance Limited	9.18.2.1	116,563	116,563	95,794	-	95,794
Alfalah GHP Value Fund	9.18.2.2	135,770	135,770	152,704	-	152,704
Alfalah GHP Income Multiplier Fund	9.18.2.3	223,599	223,599	355,285	-	355,285
Alfalah GHP Islamic Fund	9.18.2.4	301,262	301,262	321,028	-	321,028
Alfalah GHP Investment Management Limited	9.18.2.5	140,593	140,593	140,497	-	140,497
		917,787	917,787	4,064,272	-	4,064,272
Investments at cost		162,849,277	168,323,272	112,416,251	1,809,879	114,226,130
Less: Provision for diminution in the value of investments	9.20	(1,941,613)	(1,941,613)	(288,191)	-	(288,191)
Investments (net of provisions)		160,907,664	166,381,659	112,128,060	1,809,879	113,937,939
(Deficit) / Surplus on revaluation of held for trading securities - net	9.22	(11,053)	(11,053)	3,300	-	3,300
Surplus / (Deficit) on revaluation of available for sale securities - net	21.2	265,256	278,030	(313,124)	(5,554)	(318,678)
Total investments		161,161,867	166,648,636	111,818,236	1,804,325	113,622,561

	Note	2011	2010
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	9.4	81,643,761	45,958,506
- Pakistan Investment Bonds	9.5	27,953,787	12,496,250
- Overseas Government Bonds	9.6	4,805,128	3,166,337
- Sukuk Bonds	9.7	40,811,081	20,539,488
- Pakistan Dollar Bond	9.8	420,937	395,673
- Pakistan Euro Bond	9.9	895,587	845,772
		156,530,281	83,402,026
Fully Paid up Ordinary Shares / Preference Shares / Units / Certificates			
- Listed companies / mutual funds	9.10	2,228,608	1,476,653
- Un-listed companies	9.11	2,790,793	129,821
- Preference Shares - Unlisted	9.12	160,983	242,744
		5,180,384	1,849,218
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates			
- Listed TFCs	9.13	1,024,382	1,308,932
- Un-listed TFCs	9.14	1,208,720	19,349,400
- Sukuk Bonds	9.15	1,980,549	2,349,036
- Overseas Bonds	9.16	1,031,440	1,046,879
- Credit Linked Note	9.17	449,729	856,367
		5,694,820	24,910,614
Investment in associates	9.18 & 9.18.1	917,787	4,064,272
Total investments at cost		168,323,272	114,226,130
Provision for diminution in value of investments	9.20	(1,941,613)	(288,191)
(Deficit) / Surplus on revaluation of held for trading securities - net	9.22	(11,053)	3,300
Surplus / (Deficit) on revaluation of available for sale securities - net	21.2	278,030	(318,678)
Total investments		166,648,636	113,622,561

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 periods ranging from six months to one year. The effective rates of profit on Market Treasury Bills range between 11.16% to 13.33% per annum (2010: 12.01% to 13.95% per annum) with maturities upto November 2012 (2010: December 2011).

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 12.00% per annum (2010: 8.00% to 14.00% per annum) with maturities from February 2012 to August 2021 (2010: December 2011 to July 2020). These also include PIBs having face value of Rs. 35 million (2010: 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 AFN 2,595.626 million (2010: AFN 1,644.829 million) and BDT 66.700 million (2010: BDT 66.700 million) respectively. The rates of profit on Government of Afghanistan bond ranges from 2.10% to 3.29% per annum (2010: 2.38% to 3.48% per annum) while Government of Bangladesh bond carries profit at 10.60% per annum (2010: 10.60% per annum). These bonds are due to mature by March 2012 (2010: December 2011) and March 2014 (2010: March 2014) respectively.

- 9.7 This represents sukuk bonds of Rs.1,728.943 million (2010: Rs 1,733.538 million) issued by the Water and Power Development Authority (WAPDA) for a period of ten years, ijarah sukuk of Rs. 39,046 million (2010: Rs 18,720 million) issued by the State Bank of Pakistan for a period of three years and SSGC sukuk of Rs. 35.95 million (2010: Rs 85.95 million) for a period of five years. The rates of profit on these bonds ranges between 12.30% to 13.55% per annum (2010: 12.12% to 13.56% per annum), between 11.67% to 13.28% per annum (2010: 12.64% to 14.14% per annum) and 13.45% per annum (2010: 13.64% per annum) respectively.
- 9.8 This represents Pakistan Dollar Bonds of US Dollar 4.679 million (2010: 5.000 million) issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum (2010: 8.812% per annum) and are due for maturity in March 2016 (2010: March 2016).
- 9.9 This represents Pakistan Euro Bonds of US Dollar 9.957 million (2010: 9.876 million) issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum (2010: 7.125%) and are due for maturity in March 2016 (2010: March 2016).
- 9.10 Particulars of investments in listed companies / mutual funds include the following:

The paid-up value of these shares / units / certificates is Rs 10 unless otherwise stated.

2011	2010		2011	2010
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
101,636	140,411	Crosby Pheonix Fund (Rs 100 per unit)	10,791	15,079
-	181,542	AMZ Plus Income Fund	-	17,901
-	127,252	Dawood Money Market Fund	-	8,355
1,551,000	2,500,000	Meezan Balanced Fund	5,894	9,500
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
		NAFA Income Opportunity Fund (formerly NAFA Cash Fund)	297,165	381,659
29,228,991	37,539,759	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
-	1,290,534	United Islamic Income Fund	50,000	50,000
504,951	504,951			
		OIL AND GAS		
175,000	110,000	Pakistan Oilfields Limited	55,257	30,527
400,000	-	Pakistan Petroleum Limited	68,448	-
150,000	150,000	Pakistan State Oil Company Limited	41,979	41,979
		CHEMICALS		
-	400,000	Dewan Salman Fiber Limited	-	1,673
943,413	-	Engro Corporation Limited	163,441	-
-	5,095,556	Fatima Fertilizer Company Limited	-	60,325
100,000	500,000	Fauji Fertilizer Company Limited	15,342	51,685
3,630,387	1,369,926	Lotte Pakistan PTA Limited	49,840	16,784
		FORESTRY AND PAPER		
26,000	-	Security Papers Limited	911	-
		INDUSTRIAL METALS AND MINING		
962,059	962,059	Crescent Steel & Allied Products Limited	25,014	25,014
23,504	-	International Steels Limited	284	-
		CONSTRUCTION AND MATERIALS		
-	2,339,135	Al-Abbas Cement Company Limited	-	15,345
104,942	-	Attock Cement Company Limited	4,341	-
-	60,000	D.G Khan Cement Limited	-	1,846
7,127,639	7,639,139	Fauji Cement Company Limited	35,055	47,887
-	121,770	Fecto Cement Limited	-	1,279
121,734	50,000	Lucky Cement Limited	7,654	3,860

2011	2010		2011	2010
(Number of shares / certificates / units)			(Rupees in '000)	
-	100,000	PERSONAL GOODS	-	1,145
1,318,710	1,318,710	Azgard Nine Limited	2,980	2,980
-	30,000	Hira Textile Mills Limited	-	683
		Nishat (Chunian) Mills Limited		
4,162,718	1,888,570	FIXED LINE TELECOMMUNICATION	66,251	38,287
		Pakistan Telecommunication Company Limited		
6,465,504	2,800,000	ELECTRICITY	226,279	87,929
1,750,000	1,500,000	The Hub Power Company Limited	74,472	64,088
-	100,000	Kot Addu Power Company Limited	-	319
1,970,639	1,970,639	Karachi Electric Supply Company Limited	37,935	37,935
523,697	76,126	Kohinoor Energy Limited	7,269	1,169
2,340,098	75,000	Nishat (Chunian) Power Company Limited	36,925	1,162
6,289,895	7,273,760	Nishat Power Limited	14,026	21,021
		Southern Electric Power Company Limited		
400,000	-	BANKS	22,675	-
852,619	-	Allied Bank Limited	25,494	-
460,000	210,000	Bank Al Habib Limited	75,469	39,991
4,186,751	1,125,000	MCB Bank Limited	212,534	72,603
-	300,000	National Bank of Pakistan	-	918
3,403,000	3,403,000	NIB Bank Limited	6,670	10,924
239,977	-	Samba Bank Limited	13,304	-
-	250,000	United Bank Limited	-	3,026
		ICB Islamic Bank Limited		
345,155	454,525	NON-LIFE INSURANCE	29,064	46,916
		Adamjee Insurance Company Limited		
2,667,640	2,667,640	FINANCIAL SERVICES	11,924	24,977
		KASB Securities Limited	*303,921	-
		Wateen Telecom Limited	2,228,608	1,476,653
		* Recategorised during the year from investment in associates (Refer note 9.18.1)		

9.11 Investments in unlisted companies

2011	2010			
(Number of shares)				
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited	5,725	5,725
		Chief Executive: Mr. S.M. Zaeem		
		Break-up value per share: Rs. 0.5		
		Period of financial statements: June 30, 2010 (Audited)		
24	24	Society for Worldwide Interbank Financial	4,096	4,096
		Telecommunication		
		Chief Executive: Mr. Lazaro Campos		
		Break-up value per share: Rs. 323,182		
		Period of financial statements:		
		December 31, 2010 (Audited)		
7,000,000	7,000,000	Al-Hamra Hills (Private) Limited	70,000	70,000
		Chief Executive: Mr. Habib Ahmed		
		Break-up value per share: Rs. 7.37		
		Period of financial statements: June 30, 2011 (Audited)		

2011	2010		2011	2010
(Number of shares)			(Rupees in '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
		Warid Telecom (Private) Limited * Recategorised during the year from investment in associates (Refer note 9.18.1)	*2,660,972	-
			2,790,793	129,821

9.12 Investments in preference shares - Unlisted

2011	2010		2011	2010
(Number of shares)				
1,000,000	3,000,000	STS Holdings Limited Redemption: Semi annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 25.42 Date of financial statements : December 31, 2010 Chief Executive : Mr. Khondoker Monir Uddin (Paid-up value of each shares is BDT. 10)	10,998	36,312
1,000,000	1,000,000	BRAC Bank Limited Redemption: Annual redemptions over 5 years ending in 2012 Break-up value per share: BDT. 351.59 Date of financial statements : December 31, 2010 Chief Executive : Mr. Syed Mahbubur Rahman (Paid-up value of each shares is BDT. 100)	109,985	121,042
-	375,000	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
1,500,000	1,500,000	First Dawood Investment Bank Limited Redemption: Preference dividend @ 4% on cumulative basis and redeemable at par after 5 years. Break-up value per share: Rs. 4.40 Date of financial statements: June 30, 2011 (Audited) Chief Executive: Mr. Abdus Samad Khan	15,000	15,000
2,500,000	2,500,000	Trust Investment Bank Limited Redemption: Any time after the issuance of preference shares Break-up value per share: Rs. 1.12 Date of financial statements: June 30, 2011 (Audited) Chief Executive: Mr. Hamuyun Nabi Jan	25,000	25,000
			160,983	242,744

9.13 Particulars of Term Finance Certificates - Quoted, Secured

	2011	2010
	(Rupees in '000)	
Askari Bank Limited (2nd Issue)	99,760	99,800
20,000 (2010: 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)	34,960	47,420
10,000 (2010: 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		
Bank Al Habib Limited	31,086	46,638
9,350 (2010: 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	1,442	2,163
578 (2010: 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		

	2011	2010
	(Rupees in '000)	
Allied Bank Limited	38,353	38,368
7,686 (2010: 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: Khalid A. Sherwani		
Pakistan Mobile Communication (Private) Limited	199,680	332,800
80,000 (2010: 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	30,809	92,427
37,000 (2010: 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		
Jahangir Siddiqui & Company Limited	24,955	49,920
10,000 (2010: 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	39,697	55,576
15,792 (2010: 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 Kanjani		

	2011	2010
	(Rupees in '000)	
Pak Arab Fertilizers Limited	74,000	94,000
20,000 (2010: 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)	449,640	449,820
90,000 (2010: 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	
	1,024,382	1,308,932

9.14 Particulars of Term Finance Certificates - Unquoted, Secured

Agritech Limited (formerly Pak American Fertilizers Limited)	499,586	499,600
100,000 (2010: 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	99,840	99,880
20,000 (2010: 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	

	2011	2010
	(Rupees in '000)	
Zulaikha Textile Mills Limited (Liability assumed from Khunja Textile Mills Limited)	29,494	30,000
300 (2010: 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. Muhammad Ramzan		
First Dawood Investment Bank Limited	30,000	30,000
6,000 (2010: 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	99,920
20,000 (2010: 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		
Power Holding (Private) Limited (Liability assumed from Gujranwala Electric Power Company Limited - GEPCO) - notes 9.14.2	-	3,000,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from Faisalabad Electric Supply Company Limited - FESCO) - notes 9.14.2	-	3,000,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited (Liability assumed from National Transmission and Despatch Company - NTDC) - note 9.14.2	-	4,000,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		

	2011	2010
	(Rupees in '000)	
Power Holding (Private) Limited - note 9.14.2	-	5,440,000
Nil (2010: 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.		
Chief Executive: Mr. Fazeel Asif		
Power Holding (Private) Limited - note 9.14.2	-	3,000,000
Nil (2010: 600,000) 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 change over date (date of conversion of loan into term finance certificates).		
Chief Executive: Mr. Fazeel Asif		
Faysal Bank Limited	149,940	150,000
30,000 (2009: 30,000) 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		
Bank Al Habib Limited	299,940	-
60,000 (2010: Nil) certificates of Rs. 5,000 each		
Mark up: Year 1 - 5 : 15% Year 6 - 10 : 15.5%		
Redemption: The instrument is structured to redeem 0.02 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 2021		
Chief Executive: Mr. Abbas D. Habib		
	1,208,720	19,349,400

9.14.1 The State Bank of Pakistan vide its letter no BSD/BRP-1/001485/2012 dated February 2, 2012 has allowed relaxation in maintaining provisioning against the exposure of Azgard Nine Limited till February 29, 2012, to all those banks who have agreed to reschedule / restructure their exposure against the company subject to the condition that such exposure shall be classified in accordance with Prudential Regulations. The Bank has classified the exposure as "Loss" and has maintained a provision of Rs 49.960 million thereagainst. Had the exemptions not been available, the provision against investments would have been higher by Rs 49.960 million while the profit before taxation for the current year would have been lower by the same amount.

9.14.2 These represented bank loan liabilities of power companies (which include term finance certificates issued by GEPCO, FESCO and NTDC) that had been transferred to Power Holding (Private) Limited to bring all circular debts of power sector to a single point of responsibility. Further, these also included conversion of loan accounts of Power Holding (Private) Limited into term finance certificates. During the current year, the Federal Government decided to settle the circular debt issue, including all accrued mark-up and asked the banks to subscribe to an equal amount of Treasury Bills and PIBs against their outstanding exposure in the ratio of 50:50. Accordingly all the outstanding dues of the Bank were cleared by the Federal Government on November 4, 2011 by crediting bank's SBP account. Following the settlement of term finance certificates the Bank purchased an equivalent amount of 12 months Treasury bills and 5 year PIBs on the same date.

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate per annum	Number of Certificates	2011 (Rupees in '000)	2010
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1.00 percent	59,740	124,458	224,025
Sitara Chemical Industries Limited - II	-	3 months KIBOR plus 1.70 percent	25,000	-	39,062
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	38,000	31,667	126,667
*Security Leasing Corporation Limited - II	March 2014	Nil	35,000	75,000	105,078
**Kohat Cement Company Limited	December 2015	6 months KIBOR plus 1.80 percent	20,000	70,600	96,600
***Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	Note 9.15.1	31,705	36,989
****BRR Guardian Modaraba	June 2014	6 months KIBOR plus 1.30 percent	20,000	98,438	100,000
K.S. Sulemanji Esmailji & Sons (Private) Limited	June 2014	3 months KIBOR plus 1.40 percent	20,000	53,173	95,000
Sitara Peroxide (Private) Limited	August 2016	3 months KIBOR plus 1.10 percent	60,000	281,250	281,250
Liberty Power Tech Limited	March 2021	3 months KIBOR plus 3.00 percent	100,000	483,799	500,000
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	Nil	5,000	8,789	12,695
Engro Corporation Limited	September 2015	6 months KIBOR plus 1.50 percent	69,545	336,670	336,670
Quetta Textile Mills Limited	September 2015	6 months KIBOR plus 1.50 percent	30,000	135,000	145,000
				1,980,549	2,349,036

* These Sukuks bonds have been restructured with effect from April 19, 2011.

** These Sukuks bonds have been restructured with effect from November 24, 2011.

***These Sukuks bonds have been restructured with effect from August 9, 2011.

****These Sukuks bonds have been restructured with effect from April 15, 2011.

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, 2011.

9.16 These represent overseas bonds amounting to BDT Nil (2010: BDT 7.394 million), BDT 120 million (2010: 150 million) and US Dollar 10 million (2010: US Dollar 10 million) issued by IDLC Securitisation Trust, Orascom Telecom and Standard Chartered Bank respectively. These bonds carry interest at Nil percent per annum (2010: 14.09% per annum), 13.50% per annum (2010: 13.50% per annum) and 2.75% per annum (2010: 2.81% per annum) and have matured / are due for maturity in December 2011 (2010: December 2011), June 2014 (2010: June 2014) and February 2013 (2010: February 2013) respectively.

9.17 These represent Credit Linked Notes amounting to US Dollar 5 million (2010: USD Dollar 5 million) issued by Standard Chartered Bank. These carry interest at 4.06% (2010: 3.80%) and are due for maturity in March 2013.

9.18 Particulars of investments in associates

The paid up value of these shares / units is Rs. 10 unless otherwise stated.

2011 (Number of shares / units)	2010		2011 (Rupees in '000)	2010
8,998,695	7,498,913	Alfalah Insurance Limited Percentage of holding: 30% (2010: 30%) Break-up value per share: Rs. 12.95 Date of audited financial statements: December 31, 2011 Chief Executive: Mr. Nasar us Samad Qureshi	116,563	95,794
2,889,739	2,889,739	Alfalah GHP Value Fund Percentage of holding: 34.19% (2010: 33.18%) Break-up value per unit: Rs. 46.98 Date of reviewed financial statements: December 31, 2011 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	135,770	152,704
5,481,236	7,650,498	Alfalah GHP Income Multiplier Fund Percentage of holding: 98.53% (2010: 96.38%) Break-up value per unit: Rs. 40.79 Date of reviewed financial statements: December 31, 2011 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	223,599	355,285
5,590,077	5,590,077	Alfalah GHP Islamic Fund Percentage of holding: 96.72% (2010: 96.11%) Break-up value per unit: Rs. 53.89 Date of reviewed financial statements: December 31, 2011 Management Company - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	301,262	321,028
13,049,070	13,049,070	Alfalah GHP Investment Management Limited Percentage of holding: 40.22% (2010: 40.22%) Break-up value per share: Rs. 10.77 Date of audited financial statements: December 31, 2011 Chief Executive: Mr. Abdul Aziz Anis	140,593	140,497
		Warid Telecom (Private) Limited	* -	2,660,972
		Wateen Telecom Limited	* -	337,992
			917,787	4,064,272

* Recategorised during the year from investment in associates to Available for Sale (Refer note 9.18.1)

9.18.1 Investment in shares of Warid Telecom (Private) Limited and Wateen Telecom Limited

During the year, the Bank's investments in shares of Warid Telecom (Private) Limited and Wateen Telecom Limited have been recategorised as Available for Sale (AFS) instead of being categorised as Investment in Associates. The Bank's investment in both these group companies is less than 20% of investee company's capital and based on internal reorganisation, management has assessed that this investment does not result in significant influence over these entities as defined in IAS 28. Accordingly the fair value of these investments as at January 1, 2011 has been used for their initial recognition in the AFS category as specified in IAS 28. Particulars of the shareholding in these companies are as follows:

	2011	2010
	(Number of shares)	
Warid Telecom (Private) Limited		
Percentage of holding: 8.24% (2010: 8.24%)		
Break-up value per share: Rs. 5.71		
Date of financial statements: December 31, 2011 (Unaudited)		
Chief Executive: Mr. Muneer Farooqui		
	319,054,124	319,054,124
Wateen Telecom Limited		
(Fixed Line Telecommunication Sector)		
Percentage of holding: 13.52% (2010: 13.52%)		
Break-up value per share: Negative equity		
Market value per share: Rs. 1.79		
Date of audited financial statements: June 30, 2011		
Chief Executive: Mr. Naeem Zaminder		
	83,494,920	83,494,920
	402,549,044	402,549,044

A loss of 34.071 million was recognised on recategorisation of investment in Wateen Telecom Limited which represents the difference between the carrying value and the fair value on the date of recategorisation. Recategorisation of Warid Telecom (Private) Limited did not result in any loss.

Impairment held against investment in these companies is disclosed in note 9.21. These entities remain related entities of the Group and transactions carried out with them are reflected in note 41 to these consolidated financial statements.

9.18.2 Investment in associates

2011 2010
(Rupees in '000)

9.18.2.1 Alfalah Insurance Company Limited

Investment as at January 1	95,794	87,828
Dividend received during the year	-	(4,829)
Share of profit	20,769	12,795
Balance as at December 31	116,563	95,794

Alfalah Insurance Company Limited is a general non-life insurance 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, 2011 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit
	-----Rupees in '000-----			
Alfalah Insurance Company Limited	1,510,981	1,122,282	384,483	69,238

9.18.2.2 Alfalah GHP Value Fund

2011 2010
(Rupees in '000)

Investment as at January 1	152,704	147,590
Dividend received during the year	(6,502)	(5,779)
Share in reserves of associate	924	(9,469)
Share of (loss) / profit	(11,356)	20,362
Balance as at December 31	135,770	152,704

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 losses of the Fund as of December 31, 2011 based on reviewed financial statements are as follows:

	As at December 31, 2011		Half year ended December 31, 2011	
	Assets	Liabilities	Revenues	Loss
-----Rupees in '000-----				
Alfalah GHP Value Fund	404,715	7,657	(23,430)	(30,354)
			2011	2010
			(Rupees in '000)	

9.18.2.3 Alfalah GHP Income Multiplier Fund

Investment as at January 1	355,285	586,295
Redemptions during the year	(100,586)	(210,000)
Dividend received during the year	(8,715)	-
Share in reserves of associate	(24,402)	(41,145)
Share of profit	2,017	20,135
Balance as at December 31	223,599	355,285

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, 2011 based on reviewed financial statements are as follows:

	As at December 31, 2011		Half year ended December 31, 2011	
	Assets	Liabilities	Revenues	Loss
-----Rupees in '000-----				
Alfalah GHP Income Multiplier Fund	231,515	4,589	(47,364)	(50,533)
			2011	2010
			(Rupees in '000)	

9.18.2.4 Alfalah GHP Islamic Fund

Investment as at January 1	321,028	316,016
Dividend received during the year	(19,565)	(33,540)
Share in reserves of associate	(4,988)	(31,972)
Share of profit	4,787	70,524
Balance as at December 31	301,262	321,028

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, 2011 based on reviewed financial statements are as follows:

	As at December 31, 2011		Half year ended December 31, 2011	
	Assets	Liabilities	Revenues	Profit
-----Rupees in '000-----				
Alfalsh GHP Islamic Fund	317,059	5,574	11,019	4,818

2011 2010
(Rupees in '000)

9.18.2.5 Alfalah GHP Investment Management Limited

Investment as at January 1	140,497	154,726
Dividend received during the year	-	(10,439)
Share in reserves of associate	(10,532)	1,962
Share of profit / (loss)	10,628	(5,752)
Balance as at December 31	140,593	140,497

Alfalsh 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 profit of the Company as of December 31, 2011 based on audited financial statements are as follows:

	As at December 31, 2011		Half year ended December 31, 2011	
	Assets	Liabilities	Revenues	Profit
-----Rupees in '000-----				
Alfalsh GHP Investment Management Limited	362,287	12,709	109,758	26,425

9.19 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2011	2010	2011	2010		
	-----Rupees in '000-----					
Market Treasury Bills	64,333,505	40,043,011	64,229,367	40,155,298	(Unrated - Government Securities)	
Pakistan Investment Bonds	19,106,572	8,045,322	19,237,132	8,549,270	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited (2nd Issue)	99,329	97,764	99,760	99,800	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	35,790	47,870	34,960	47,420	AAA	PACRA
Bank Al-Habib Limited	28,219	44,226	31,086	46,638	AA	PACRA
Faysal Bank Limited	1,448	2,152	1,442	2,163	AA-	PACRA
Allied Bank Limited	38,439	37,689	38,353	38,368	AA-	JCRVIS
Pakistan Mobile Communication (Private) Limited	200,221	332,741	199,680	332,800	A+	PACRA
ORIX Leasing Pakistan Limited	29,826	91,693	30,809	92,427	AA+	PACRA
Jahangir Siddiqui & Company Limited	25,111	50,149	24,955	49,920	AA	PACRA
First Dawood Investment Bank Limited	30,000	30,000	30,000	30,000	D	PACRA
Financial Receivables Securitisation Company Limited "A"	19,135	26,634	19,234	26,928	A+	PACRA
Financial Receivables Securitisation Company Limited "B"	20,357	28,648	20,463	28,648	A+	PACRA
Pak Arab Fertilizers Limited	74,332	91,180	74,000	94,000	AA	PACRA
Azgard Nine Limited	99,920	99,920	99,920	99,920	D	PACRA
Askari Bank Limited (3rd Issue)	460,332	456,567	449,640	449,820	AA-	PACRA
Faysal Bank Limited	155,067	150,000	149,940	150,000	AA-	PACRA
Bank Al-Habib Limited	317,937	-	299,940	-	AA-	PACRA
	1,635,463	1,587,233	1,604,182	1,588,852		
Shares in Listed Companies / Certificates / Units						
Adamjee Insurance Company Limited	16,053	39,771	29,064	46,916	AA	PACRA
Al-Abbas Cement Company Limited	-	8,117	-	15,345	----(Unrated)----	
Allied Bank Limited	21,548	-	22,675	-	AA/A1+	PACRA
AMZ Plus Income Fund	-	10,709	-	17,901	----(Unrated)----	
Attock Cement Company Limited	5,352	-	4,341	-	----(Unrated)----	
Bank Al Habib Limited	24,325	-	25,494	-	AA+/A1+	PACRA
Crescent Steel & Allied Products Limited	17,461	26,466	25,014	25,013	----(Unrated)----	
Crosby Phoenix Fund	10,866	15,190	10,791	15,079	A(f)	JCRVIS
Dawood Money Market Fund	-	9,998	-	8,355	A-(f)	PACRA
Engro Corporation Limited	87,454	-	163,441	-	AA/A1+	PACRA
Fatima Fertilizer Limited	-	57,478	-	60,325	A/A1	PACRA
Fauji Cement Company Limited	23,521	35,781	35,055	45,177	----(Unrated)----	
Fauji Fertilizer Company Limited	14,954	62,930	15,342	51,685	----(Unrated)----	
Fecto Cement Limited	-	883	-	1,279	----(Unrated)----	
Hira Textile Mills Limited	5,380	5,143	2,980	2,980	----(Unrated)----	
ICB Islamic Bank	-	3,026	-	3,026	----(Unrated)----	
International Steels Limited	273	-	284	-	----(Unrated)----	
KASB Securities Limited	6,136	11,924	11,924	24,977	A/A1	PACRA
Kohinoor Energy Limited	31,077	42,921	37,935	37,935	----(Unrated)----	
Kot Addu Power Company Limited	72,310	61,020	74,472	64,088	AA+/A-1+	JCRVIS
Lotte Pakistan PTA Limited	33,654	5,969	49,840	5,171	----(Unrated)----	
Lucky Cement Limited	9,135	-	7,654	-	----(Unrated)----	
MCB Bank Limited	61,916	45,708	75,469	37,784	AA+/A1+	PACRA
Meezan Balanced Fund	14,114	18,750	5,894	9,500	----(Unrated)----	
Meezan Islamic Income Fund	49,366	49,959	50,000	50,000	A(f)	JCRVIS
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	279,955	382,425	297,165	381,659	A(f)	PACRA
National Bank of Pakistan	171,866	76,820	212,534	63,873	AAA/A-1+	JCRVIS

Date of issue	Market value		Cost		Long/Medium Term Credit Rating	Rated by	
	2011	2010	2011	2010			
-----Rupees in '000-----							
Nishat (Chunian) Power Company Limited	6,677	-	7,269	-	AA-/A1+	PACRA	
Nishat Power Company Limited	30,304	-	36,926	-	AA-/A1+	PACRA	
Pak Oman Advantage Fund	136,800	157,350	150,000	150,000	AA-(f)	PACRA	
Pak Oman Advantage Islamic Income Fund	31,528	30,936	30,000	30,000	A+(f)	PACRA	
Pakistan Capital Market Fund	-	10,092	-	9,882	2-Star/3-Star	PACRA	
Pakistan Oilfields Limited	60,629	-	55,257	-	----(Unrated)----		
Pakistan Petroleum Limited	67,328	-	68,448	-	----(Unrated)----		
Pakistan State Oil Company Limited	34,082	44,277	41,979	41,979	AA+/A1+	PACRA	
Pakistan Telecommunication Company Limited	43,251	36,676	66,251	38,287	A+/A1	PACRA	
Samba Bank Limited	4,934	6,670	6,670	10,924	A+/A-1	JCRVIS	
Security Papers Limited	920	-	911	-	AAA/A-1+	JCRVIS	
Southern Electric Power Company Ltd	4,403	16,220	14,026	21,021	----(Unrated)----		
The Hub Power Company Limited	221,120	104,748	226,279	87,929	AA+/A1+	PACRA	
United Bank Limited	12,572	-	13,304	-	AA+/A-1+	JCRVIS	
United Islamic Income Fund	38,674	51,545	50,000	50,000	BBB-(f)	JCRVIS	
Wateen Telecom Limited	303,921	-	303,921	-	----(Unrated)----		
	1,953,859	1,429,502	2,228,609	1,408,090			
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)----		
Warid Telecom (Private) Limited		Not Applicable	2,660,972	-	----(Unrated)----		
			2,790,793	129,821			
Preference Shares in Un-listed Companies							
First Dawood Investment Bank Limited		Not Applicable	15,000	15,000	D	PACRA	
Trust Investment Bank Limited		Not Applicable	25,000	25,000	BBB / A3	PACRA	
			40,000	40,000			
Sukuk Bonds							
GoP Ijarah Sukuk Bonds II	29-Dec-08	-	1,000,000	-	1,000,000	----(Unrated)----	
GoP Ijarah Bonds III	11-Mar-09	2,625,000	2,625,000	2,625,000	2,625,000	----(Unrated)----	
GoP Ijarah Bonds IV	17-Sep-09	3,595,000	3,595,000	3,595,000	3,595,000	----(Unrated)----	
GoP Ijarah Bonds V	15-Nov-10	8,130,113	6,000,000	8,130,113	6,000,000	----(Unrated)----	
GoP Ijarah Bonds VI	20-Dec-10	3,000,000	3,000,000	3,000,000	3,000,000	----(Unrated)----	
GoP Ijarah Bonds VII	7-Mar-11	12,718,850	-	12,718,850	-	----(Unrated)----	
GoP Ijarah Bonds VIII	16-May-11	8,477,225	-	8,477,225	-	----(Unrated)----	
GoP Ijarah Bonds IX	26-Dec-11	500,000	-	500,000	-	----(Unrated)----	
Sui Southern Gas Company Limited		36,061	84,569	35,950	85,950	AA-/A1+	PACRA
Security Leasing Corporation Limited I		6,212	9,521	8,789	12,695	----(Unrated)----	
Security Leasing Corporation Limited II		23,193	34,277	32,813	45,703	----(Unrated)----	
Quetta Textile Mills limited		123,888	130,570	135,000	145,000	BBB+	JCRVIS
		39,235,542	16,478,937	39,258,740	16,509,348		
		126,264,941	67,584,005	129,388,823	68,380,679		

	Note	2011	2010
		(Rupees in '000)	
9.20 Particulars of provision for diminution in value of investments			
Opening balance		288,191	249,158
Charge for the year		1,710,730	171,815
Reversals		(1,457)	(285)
Provision written off during the year		(55,851)	(132,497)
Closing balance		1,941,613	288,191
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			
- Wateen Telecom Limited		173,671	-
- Others		169,592	55,851
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	35,000
- Al-Hamra Avenue (Private) Limited		25,000	25,000
- Warid Telecom (Private) Limited	9.21.1	839,892	-
- Term finance certificates			
- First Dawood Investment Bank Limited		30,000	30,000
- Azgard Nine Limited		49,960	-
- Preference shares			
- First Dawood Investment Bank Limited		8,064	8,064
- Trust Investment Bank Limited		23,652	23,652
Held to maturity securities			
Unlisted securities			
- Term finance certificates / sukuk bonds			
- Agritech Limited		465,000	-
- Khunja Textiles Mills Limited		29,494	30,000
- Kohat Cement Company Limited		53,637	74,899
- BRR Guardian Modaraba		25,000	-
- Sitara Energy Limited		7,926	-
		1,941,613	288,191

9.21.1 The Bank has determined the impairment charge as a difference between the carrying amount and the breakup value based on the un-audited financial statements of Warid Telecom (Private) Limited for the period ended December 31, 2011.

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

Name of Investee Company	Unrealised gain / (loss)		Cost	
	2011	2010	2011	2010
-----Rupees in '000-----				
Fully paid up ordinary shares / units - Listed				
NIB Bank Limited	-	(33)	-	918
MCB Bank Limited	-	79	-	2,207
National Bank of Pakistan	-	872	-	8,730
Lucky Cement Limited	-	(71)	-	3,860
Pakistan Oilfields Limited	-	2,029	-	30,527
Azgard Nine Limited	-	(179)	-	1,145
Fauji Cement Company Limited	-	(143)	-	2,711
D G Khan Cement Limited	-	(35)	-	1,846
Lotte Pakistan PTA Limited	-	1,185	-	11,613
Nishat Chunian Power Limited	-	56	-	1,169
Nishat Power Limited	-	56	-	1,162
Karachi Electric Supply Company Limited	-	(38)	-	319
Dewan Salman Fiber Limited	-	(477)	-	1,673
Nishat (Chunian) Mills Limited	-	(2)	-	683
	-	3,299	-	68,563
Market Treasury Bills	(10,662)	1	11,165,299	966,392
Pakistan Investment Bonds	(391)	-	24,036	-
	(11,053)	3,300	11,189,335	1,034,955
	Note	2011	2010	
		(Rupees in '000)		

10 ADVANCES - NET

Loans, cash credits, running finances, etc.			
In Pakistan		178,587,253	187,666,166
Outside Pakistan		11,633,715	8,463,729
		190,220,968	196,129,895
Net investment in finance lease			
In Pakistan	10.2	4,661,592	6,905,615
Outside Pakistan		-	-
		4,661,592	6,905,615
Financing and investing assets under IFAS 2 Ijarah	10.3	4,398,109	3,503,758
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		4,111,898	2,799,456
Payable outside Pakistan		8,001,809	8,483,419
		12,113,707	11,282,875
		211,394,376	217,822,143
Provision against advances			
Specific provision against non-performing advances	10.5	(12,327,774)	(10,020,461)
General provision against advances	10.5	(598,090)	(649,628)
		(12,925,864)	(10,670,089)
		198,468,512	207,152,054

	2011	2010
	(Rupees in '000)	
10.1 Particulars of advances - gross of provisions		
In local currency	184,587,240	197,905,166
In foreign currencies	26,807,136	19,916,977
	211,394,376	217,822,143
Short term (upto one year)	151,914,308	165,730,344
Long term (over one year)	59,480,068	52,091,799
	211,394,376	217,822,143

10.2 Net investment in finance lease

	2011				2010			
	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	1,903,837	1,247,638	-	3,151,475	1,897,754	3,021,997	-	4,919,751
Residual value	1,244,281	799,821	-	2,044,102	701,218	2,122,322	-	2,823,540
Minimum lease payments	3,148,118	2,047,459	-	5,195,577	2,598,972	5,144,319	-	7,743,291
Financial charges for future periods	(315,734)	(218,251)	-	(533,985)	(417,869)	(419,807)	-	(837,676)
Present value of minimum lease payments	2,832,384	1,829,208	-	4,661,592	2,181,103	4,724,512	-	6,905,615

10.2.1 Net investment in finance lease includes Ijarah financings disbursed 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

	2011				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	----- (Rupees in '000) -----				
At January 1, 2011					
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
Year ended December 31, 2011					
Opening net book value	2,452,509	499,517	476,549	75,183	3,503,758
Additions	1,702,112	208,877	212,119	-	2,123,108
Disposals					
Cost	(317,530)	(43,799)	(35,069)	(5,370)	(401,768)
Accumulated Depreciation	79,486	13,262	2,597	1,843	97,188
	(238,044)	(30,537)	(32,472)	(3,527)	(304,580)
Depreciation	(585,699)	(163,320)	(148,347)	(26,811)	(924,177)
Closing net book value	3,330,878	514,537	507,849	44,845	4,398,109
At December 31, 2011					
Cost	4,150,425	785,720	722,744	92,924	5,751,813
Accumulated depreciation	(819,547)	(271,183)	(214,895)	(48,079)	(1,353,704)
Net book value	3,330,878	514,537	507,849	44,845	4,398,109

	2010				
	Asset categories				
	Vehicles - Consumer	Vehicles - Corporate	Plant & Machinery	Equipment	Total
	----- (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

2011 2010
(Rupees in '000)

c) Future ljarah payments receivable

Not later than one year	411,845	5,150
Later than one year and not later than five years	4,368,215	5,550,544
Later than five years	-	106,542
	4,780,060	5,662,236

10.4 Advances include Rs 19.097 billion (2010: Rs 17.710 billion) which have been placed under non-performing status as detailed below:

Category of Classification	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Other Assets Especially Mentioned (Agri Financing)	99,017	-	99,017	-	-	-	-	-	-
Substandard	2,941,576	-	2,941,576	582,810	-	582,810	582,810	-	582,810
Doubtful	1,022,306	-	1,022,306	294,551	-	294,551	294,551	-	294,551
Loss	14,924,221	109,494	15,033,715	11,425,439	24,974	11,450,413	11,425,439	24,974	11,450,413
	18,987,120	109,494	19,096,614	12,302,800	24,974	12,327,774	12,302,800	24,974	12,327,774

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)	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

10.5 Particulars of provisions against advances

Note	2011			2010		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	10,020,461	649,628	10,670,089	8,017,606	763,066	8,780,672
Exchange adjustment and other movements	(21,033)	(7,225)	(28,258)	1,499	(473)	1,026
Charge for the year	3,442,105	59,863	3,501,968	3,250,985	-	3,250,985
Reversals / recoveries	(927,043)	(104,176)	(1,031,219)	(923,493)	(112,965)	(1,036,458)
	2,515,062	(44,313)	(2,470,749)	2,327,492	(112,965)	2,214,527
Amounts written off	(186,716)	-	(186,716)	(326,136)	-	(326,136)
Closing balance	12,327,774	598,090	12,925,864	10,020,461	649,628	10,670,089

10.5.1 During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 1 dated October 21, 2011 (effective from September 30, 2011). Under the revised guidelines issued by SBP, banks have been allowed to avail the benefit as follows:

a. Prudential Regulation R-8 for Corporate / Commercial Banking and Prudential Regulation R-11 for SME Financing:

Category of Asset	Benefit of FSV allowed from the date of classification
Mortgaged residential, commercial, and industrial properties (land & building only)	75% for first year 60% for second year 45% for third year 30% for fourth year, and 20% for fifth year
Plant & Machinery under charge	30% for first year 20% for second year, and 10% for third year
Pledged stock	40% for three years

b. Prudential Regulations R-22 for Consumer Financing:

Mortgaged residential property	75% for first and second year 50% for third and fourth year, and 30% for fifth year
--------------------------------	---

Under the previous guidelines issued by SBP which were effective from September 30, 2009, banks were allowed to avail the benefit of 40% of forced sales value of pledged stocks and mortgaged residential, commercial and industrial properties held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement. However, the benefit of discounted forced sale values of plant and machinery was previously not available to banks for calculating provisioning requirement.

The Bank has decided not to avail the benefit of forced sale values of pledged stocks and mortgaged, residential, commercial and industrial properties and plant and machinery as per the revised circular. Accordingly, the provision against non performing loans and advances has been determined by taking the benefit of forced sale values as allowed under the previous circular except for loans and advances where more than 3 years have elapsed since the date of classification. The benefit of forced sale value in such cases has been taken on the basis of revised circular, i.e 30% of forced sale values instead of 40%.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been lower and consequently profit before taxation and advances (net of provisions) as at December 31, 2011 would have been higher by approximately Rs. 174.554 million.

10.5.2 The additional profit arising from availing the FSV benefit - net of tax at December 31, 2011 which is not available for either cash or stock dividend to shareholders amounted to Rs. 1,997.301 (2010: 2,244.780 million).

10.5.3 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.

10.5.4 Particulars of provisions against advances

	2011			2010		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	12,302,800	478,863	12,781,663	9,992,973	578,193	10,571,166
In foreign currencies	24,974	119,227	144,201	27,488	71,435	98,923
	12,327,774	598,090	12,925,864	10,020,461	649,628	10,670,089

10.5.5 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	2011	2010
		(Rupees in '000)	
10.6 Particulars of write-offs			
10.6.1 Against provisions		186,716	326,136
Directly charged to profit and loss account		5,696	25,504
		192,412	351,640
10.6.2 Write offs of Rs. 500,000 and above		4,629	8,746
Write offs of below Rs. 500,000		187,783	342,894
		192,412	351,640

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, 2011 is given in Annexure-I.

	Note	2011	2010
		(Rupees in '000)	
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		4,105,350	3,592,275
- Loans granted during the year		1,919,539	1,990,615
- Repayments during the year		(1,372,257)	(1,477,540)
- Balance at end of year		4,652,632	4,105,350
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		2,141,096	2,169,012
- Loans granted during the year		2,631,332	10,932,476
- Repayments during the year		(2,473,993)	(10,960,392)
- Balance at end of year		2,298,435	2,141,096
Total		6,951,067	6,246,446

11 FIXED ASSETS

	Note	2011 (Rupees in '000)	2010
Capital work-in-progress	11.1	596,895	679,951
Property and equipment	11.2	12,366,091	12,972,491
Intangible assets	11.3	464,707	599,153
		13,427,693	14,251,595

11.1 Capital work-in-progress

Civil works	179,438	228,406
Equipment / intangibles	210,225	189,993
Advances to suppliers and contractors	192,017	234,318
Others	15,215	27,234
	596,895	679,951

2011

Description	Cost / revaluation as at January 1, 2011	Additions / (disposals) / *adjustments	Reversal of deficit on revaluation	Cost/ Revaluation as at December 31, 2011	Accumulated depreciation as at January 1, 2011	Depreciation for the year / (on disposal) / *adjustments	Accumulated depreciation as at December 31, 2011	Net Book Value as at December 31, 2011	Rate of depreciation %
	----- (Rupees in '000) -----								
									per annum
Office premises	5,066,079	83,615 - 55,689	-	5,205,383	79,492	82,821 - 56,833	219,146	4,986,237	2.5%-5.5%
Revaluation	3,542,230	- -	-	3,542,230	45,685	45,685 -	91,370	3,450,860	2.5%-5.5%
	8,608,309	83,615 - 55,689	-	8,747,613	125,177	128,506 - 56,833	310,516	8,437,097	
Lease hold improvements	2,701,276	367,300 (8,659) (22,945)	-	3,036,972	1,549,049	476,447 (3,517) (8,355)	2,013,624	1,023,348	20%
Furniture and fixtures	1,582,052	142,914 (4,859) (4,843)	-	1,715,264	627,804	165,198 (3,276) (3,268)	786,458	928,806	10% - 25%
Office equipment	5,972,372	508,130 (36,882) (28,020)	-	6,415,600	3,670,402	893,651 (32,847) (16,827)	4,514,379	1,901,221	20% - 25%
Vehicles	233,619	44,434 (38,783) (5,604)	-	233,666	156,700	43,397 (37,003) (4,606)	158,488	75,178	25%
Leased									
Vehicles	18,946	- (13,941)	-	5,005	14,950	530 (10,916)	4,564	441	25%
	19,116,574	1,146,393 (89,183) (19,664)	-	20,154,120	6,144,082	1,707,729 (76,643) 12,861	7,788,029	12,366,091	

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 as at December 31, 2010	Net Book Value as 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 equipments	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 1,147	16,976 (30,605)	-	233,619	145,891	39,155 (28,357) 12	156,700	76,919	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	6,144,082	12,972,492	

11.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 2,330 million (2010: Rs. 1,677 million).

11.2.2 Office premises of the Bank 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. 4,986.237 million (2010: Rs 4,986.587 million).

11.3 Intangible assets

	2011							
	COST			ACCUMULATED AMORTIZATION			Book value at closing	Rate of amortization % per annum
	As at January 1, 2011	Additions/ (Deletions)/ * Adjustment	As at December 31, 2011	As at January 1, 2011	Amortization (Deletion) / * Adjustment	As at December 31, 2011		
	(Rupees in '000)							
Computer software (note 11.3.1)	953,038	49,374	1,001,306	384,885	183,599	567,599	433,707	20%
		(1,106)			(885)			
Goodwill (note 11.3.2)	109,971	-	56,031	109,971	-	56,031	-	
		(53,940)			(53,940)			
Membership Card	31,000	-	31,000	-	-	-	31,000	
	1,094,009	49,374	1,088,337	494,856	183,599	623,630	464,707	
		-			-			
		(55,046)			(54,825)			

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

11.3.1 This includes additional amortisation charge of Rs. 18.806 million (2010: 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 Adjustment in goodwill represents amount relating to Karachi Stock Exchange branch which has been reclassified to leasehold building consequent to execution of sub-lease agreement by the Karachi Stock Exchange with the Bank.

11.3.3 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 259.178 million (2010: Rs. 174.664 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
Leasehold Improvements						
Renovation work	2,016	1,008	1,008	1,047	Insurance Claim	M/s Alfalah Insurance Company Limited (Related party)
Renovation work	2,024	620	1,404	-	Write Off	N/A
Renovation work	3,871	1,190	2,681	-	Write Off	N/A
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	748	699	49	96	Various	Various
	8,659	3,517	5,142	1,143		
Furniture and fixtures						
Furniture & Fixture	715	353	362	359	Insurance Claim	M/s Alfalah Insurance Company Limited (Related party)
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	4,144	2,923	1,221	1,035	Various	Various
	4,859	3,276	1,583	1,394		
Computers						
POS Switch						
Computers	2,713	2,352	361	512	Insurance Claim	M/s Alfalah Insurance Company Limited (Related party)
Computers	1,686	1,686	-	50	Bid	M/s Muzaffar Computers Chiniot
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	1,804	1,619	185	531	Various	Various
	6,203	5,657	546	1,093		
Office equipment						
Air Conditioner	1,078	1,078	-	17	Bid	M/s Malik Refrigeration
Diesel Generator	712	423	289	297	Bid	Mr. Haider Ali
Diesel Generator	1,291	1,257	34	452	Bid	Mr. Haider Ali
Diesel Generator	950	605	345	344	Bid	M/s Bahum Associates (Pvt) Ltd
Diesel Generator	1,067	866	201	425	Bid	Mr. Haider Ali
Diesel Generator	1,045	945	100	470	Bid	Mr. Haider Ali
Diesel Generator	2,125	2,125	-	607	Bid	Mr. Haider Ali
Diesel Generator	712	380	332	297	Bid	Mr. Haider Ali
Diesel Generator	2,430	2,025	405	868	Bid	M/s Trolley Corporation
Diesel Generator	1,075	691	384	498	Bid	Mr. Sarfaraz Ahmed
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,194	16,795	1,399	3,991	Various	Various
	30,679	27,190	3,489	8,266		
Vehicles						
Land Cruiser Jeep	5,324	5,324	-	1,796	Bid	M/s End 2 End Supply Chain Limited
Honda Civic	1,677	1,677	-	824	Bid	Mr. Aamir Anayat
Honda Civic	1,000	1,000	-	448	As Per Bank Policy	Mr. Shahid Nafees
Prado	1,642	1,642	-	238	As Per Bank Policy	Mr. Azmatullah Khan
BMW	7,033	7,033	-	703	As Per Bank Policy	Mr. Sirajuddin Aziz (former C.E.O.)
Honda Civic	1,376	1,376	-	137	As Per Bank Policy	Mr. Sirajuddin Aziz (former C.E.O.)
Honda Civic	1,519	1,032	487	1,650	Negotiation	Muhammad Bilal Mustafa
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	19,212	17,919	1,293	15,094	Various	Various
	38,783	37,003	1,780	20,890		
Total - December 31, 2011	89,183	76,643	12,540	32,786		
Total - December 31, 2010	99,759	77,429	22,330	47,532		

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

	Note	2011	2010
		(Rupees in '000)	
12 DEFERRED TAX ASSETS / (LIABILITIES)			
Deferred debits arising due to			
Provision for doubtful debts		1,109,599	1,424,899
Provision against off-balance sheet obligations		15,472	15,472
Impairment in the value of investments		1,793,910	327,943
Loss on remeasurement of held for trading investments		3,869	-
Unrealised loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale		-	137
Deficit on revaluation of securities		-	111,538
		2,922,850	1,879,989
Deferred credits arising due to			
Difference between accounting book value of leased assets and lease liabilities		(386,910)	(423,548)
Accelerated tax depreciation		(1,322,460)	(1,738,194)
Gain on remeasurement of held for trading investments		-	(1,155)
Surplus on revaluation of securities		(97,311)	-
Surplus on revaluation of operating fixed assets		(694,427)	(710,417)
		(2,501,108)	(2,873,314)
		421,742	(993,325)
13 OTHER ASSETS			
Income / mark-up accrued in local currency		12,795,046	11,945,948
Income / mark-up accrued in foreign currencies		314,740	353,062
Advances, deposits, advance rent and other prepayments		1,068,026	1,410,150
Assets acquired in satisfaction of claims	13.1	354,109	354,109
Advances against future Murabaha		2,017,372	1,270,265
Advances against future Ijarah		111,674	283,706
Advances against Diminishing Musharakah		113,996	150,469
Branch adjustment account		665,770	364,265
Tax recoverable		-	258,531
Dividend receivable		-	17,958
Unrealised gain on forward foreign exchange contracts	13.2	27,949	76,368
Prepaid exchange risk fee		1,043	1,691
Stationery and stamps on hand		99,711	93,266
Trade debts		543,797	585,273
Others		407,460	141,445
		18,520,693	17,306,506
Less: Mark up held in suspense account		(4,374,411)	(3,768,832)
Provision held against other assets	13.3	(839,670)	(635,932)
		13,306,612	12,901,742
13.1 Market value of assets acquired in satisfaction of claims		254,470	274,753
13.2 This is net off unrealised loss on forward exchange contract of Rs. 374.48 million (2010: 393.847 million).			
13.3 Provision held against other assets			
Opening balance		635,932	541,016
Charge for the year	13.3.1 & 13.3.2	184,993	94,916
Reversals		-	-
Amount written off		-	-
Adjustment		18,745	-
Closing balance		839,670	635,932

13.3.1 This includes an amount of Rs. 9.366 million (2010: Rs 93.040 million) recognised during the year on account of impairment in the value of asset acquired in satisfaction of claims.

13.3.2 This also includes provision of Rs 132.400 million (2010: Nil) in respect of fraud and forgery claims relating to fraudulent transactions carried out by an employee of the Group. In addition, claims against the Group not acknowledged as debt (note 21.4) also include claims amounting to Rs 39.64 million in respect of customers alleged to have been involved with such employee. The Group has initiated legal proceedings against this employee and has also taken necessary steps to further strengthen the internal control system.

		2011	2010
		(Rupees in '000)	
14	BILLS PAYABLE		
	In Pakistan	5,352,113	4,358,194
	Outside Pakistan	51,340	163,339
		5,403,453	4,521,533
15	BORROWINGS		
	In Pakistan	15,670,713	11,602,025
	Outside Pakistan	2,498,265	2,098,099
		18,168,978	13,700,124
15.1	Particulars of borrowings with respect to currencies		
	In local currency	15,670,713	11,602,025
	In foreign currencies	2,498,265	2,098,099
		18,168,978	13,700,124
15.2	Details of borrowings secured / unsecured		
	Secured		
	Borrowings from State Bank of Pakistan under:		
	Export refinance scheme	8,981,663	9,150,442
	Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	157,851	302,198
	Long Term Finance Facility	727,561	336,300
	Modernisation of SMEs	9,297	11,620
	Financing Facility for Storage of Agriculture produce (FFSAP)	213,748	-
	Repurchase agreement borrowings	5,480,593	1,801,465
		15,570,713	11,602,025
	Unsecured		
	Call borrowings	2,571,258	2,098,099
	Overdrawn nostro accounts	27,007	-
		2,598,265	2,098,099
		18,168,978	13,700,124

- 15.3 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 is 10.00% per annum (2010: 7.50% to 9.00% per annum) payable on a quarterly basis.
- 15.4 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 8.60% per annum (2010: 4.00% to 5.00% per annum) payable on a quarterly basis.
- 15.5 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 7.00% to 10.00% per annum (2010: 6.50% to 8.60% per annum) payable on a quarterly basis.
- 15.6 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 6.50% per annum (2010: 6.00% per annum) payable on a quarterly basis.
- 15.7 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 6.50% per annum payable on a quarterly basis.
- 15.8 This represents repurchase agreement borrowings from other banks at rates ranging from 11.40% to 11.62% per annum (2010: 12.50% to 13.30% per annum) maturing by January 2012 (2010: January 2011).

	2011	2010
	(Rupees in '000)	
16 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	101,962,743	102,317,555
Savings deposits	123,503,156	96,350,207
Current accounts - non-remunerative	141,879,570	119,435,697
Others	4,472,421	4,888,918
	371,817,890	322,992,377
Financial institutions		
Remunerative deposits	28,847,597	30,760,292
Non-remunerative deposits	580,188	258,021
	29,427,785	31,018,313
	401,245,675	354,010,690
16.1 Particulars of deposits		
In local currency	336,314,763	284,341,957
In foreign currencies	64,930,912	69,668,733
	401,245,675	354,010,690
17 SUB-ORDINATED LOANS		
Term Finance Certificates II - Quoted, Unsecured	831,130	1,247,120
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)		

	Note	2011	2010
		(Rupees in '000)	
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		
Term Finance Certificates III - Quoted, Unsecured		1,321,563	1,322,072
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 for 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		4,996,000	4,998,000
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 for 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	7,148,693	<u>7,567,192</u>

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011				2010			
	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	1,368	-	-	1,368	3,578	3,068	-	6,646
Financial charges for future periods	(40)	-	-	(40)	(546)	(190)	-	(736)
Present value of minimum lease payments	1,328	-	-	1,328	3,032	2,878	-	5,910

Note 2011 2010
(Rupees in '000)

19 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		3,541,539	3,124,715
Mark-up / return / interest payable in foreign currencies		260,400	238,160
Unearned commission and income on bills discounted		206,268	221,898
Accrued expenses		1,122,529	995,090
Current taxation		595,547	-
Payable against redemption of credit card reward points		109,947	111,547
Security deposits against leases		3,803,044	4,081,356
Exchange difference payable to the State Bank of Pakistan		19,811	30,912
Payable to brokers	19.1	19,015	514
Provision against off-balance sheet obligations	19.2	48,733	44,207
Workers' Welfare Fund	29.1	304,498	51,165
Others		443,066	457,533
		10,474,397	9,357,097

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

19.2 Provision against off-balance sheet obligations

Opening balance	44,207	37,623
Exchange adjustment	4,526	528
Charge for the year	-	6,056
Closing balance	48,733	44,207

20 SHARE CAPITAL

20.1 Authorised capital

2011 2010
(Number of shares)

2,300,000,000

2,300,000,000

Ordinary shares of Rs. 10 each

23,000,000

23,000,000

20.2 Issued, subscribed and paid up capital

2011	2010		2011	2010
(Number of shares)			(Rupees in '000)	
		Ordinary shares of Rs. 10 each		
		Fully paid in cash		
		- at the beginning of the year		
		- during the year		
624,750,000	624,750,000		6,247,500	6,247,500
-	-		-	-
624,750,000	624,750,000		6,247,500	6,247,500
		Issued as bonus shares		
		- at the beginning of the year		
		- during the year		
724,406,250	724,406,250		7,244,063	7,244,063
-	-		-	-
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

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of:

- Fixed assets	21.1	2,756,433	2,786,128
- Available for sale securities	21.2	31,875	(316,985)
		2,788,308	2,469,143

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets at January 1

3,496,545 3,533,605

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

(29,695) (29,695)

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

(15,990) (15,990)

Reversal of deficit on account of disposal of property

- 636

Other reversal

- 7,989

(45,685) (37,060)

3,450,860 3,496,545

Related deferred tax liability on surplus as at January 1

710,417 723,611

Deferred tax liability booked

- 2,796

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

(15,990) (15,990)

(15,990) (13,194)

694,427 710,417

2,756,433 2,786,128

	2011	2010
	(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available for sale securities		
Deficit on:		
Government securities	(26,422)	(616,235)
Sukuk bonds	(23,198)	(30,411)
Surplus on:		
Quoted shares / units / certificates	296,369	329,587
Term finance certificates	31,281	(1,619)
	278,030	(318,678)
Related deferred tax (liability) / asset	(97,311)	111,538
	180,719	(207,140)
Share of deficit on associates' investments - classified as 'available for sale'	(148,844)	(109,845)
	31,875	(316,985)
22 CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
i) Government	743,446	875,489
ii) Banking companies & other financial institutions	28,110	6,972
iii) Others	836,347	2,345,386
	1,607,903	3,227,847
22.2 Transaction-related contingent liabilities		
i) Government	35,612,847	39,192,697
ii) Banking companies & other financial institutions	2,029,026	783,073
iii) Others	11,575,837	18,238,077
	49,217,710	58,213,847
22.3 Trade-related contingent liabilities		
Letters of credit	54,734,036	46,125,101
Acceptances	10,482,204	5,200,075
22.4 Other contingencies		
Claims against the Group not acknowledged as debts	6,791,219	4,738,505
22.5 Commitments in respect of forward lendings		
Forward repurchase agreement lendings	-	-
Commitments to extend credit	2,080,062	4,261,342

	2011	2010
	(Rupees in '000)	
22.6 Commitments in respect of forward exchange contracts		
Purchase	29,873,142	32,707,614
Sale	22,734,732	20,936,061
22.7 Commitments for the acquisition of fixed assets	144,595	250,339
22.8 Commitments in respect of repo transactions		
Repurchase	5,495,710	1,812,780
Resale	6,118,181	1,726,402
22.9 Other commitments		
Donations	-	11,000

22.10 Contingency for tax payable (note 30.1)

23 DERIVATIVE INSTRUMENTS

The Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Group'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 Group hedges its exposure by taking forward position in the 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 Group 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.

	Note	2011	2010
		(Rupees in '000)	
24 MARK-UP / RETURN / INTEREST EARNED			
a) On loans and advances to:			
i) customers		25,594,836	24,923,043
ii) financial institutions		625,337	863,473
b) On investments in:			
i) held for trading securities		665,665	7,261
ii) available for sale securities		9,067,991	5,676,018
iii) held to maturity securities		7,085,551	5,273,320
c) On deposits with financial institutions		426,590	395,708
d) On securities purchased under resale agreements		326,635	181,785
e) Profit earned on ijarah assets net of depreciation	24.2	374,179	209,648
f) Interest income		113	142
		44,166,897	37,530,398

24.1 These include mark-up earned of Rs. 8,062.131 million (2010: Rs. 4,896.987 million) which pertains to the Group's Islamic Banking Division.

24.2 Profit earned on ijarah assets

Lease rentals earned	1,298,356	678,131
Depreciation for the year	(924,177)	(468,483)
	374,179	209,648

25 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	21,409,402	18,404,710
Securities sold under repurchase agreements	1,239,220	1,771,569
Other short term borrowings	1,679,352	2,371,834
Term Finance Certificates	1,156,146	1,109,062
Brokerage and commission	203,365	195,998
Financial Charges	802	1,405
	25,688,287	23,854,578

26 GAIN ON SALE OF SECURITIES - NET

Federal Government Securities		
- Market Treasury Bills	59,550	64
- Pakistan Investment Bonds	12,111	1,440
Shares / units - listed	64,642	65,665
Sukuk Bonds	6,400	-
Term Finance Certificates	7,024	-
	149,727	67,169

	Note	2011	2010
(Rupees in '000)			
27 OTHER INCOME			
Gain on sale of fixed assets		20,246	25,202
Postage, telex service charges etc.		1,730,600	1,277,555
Provision no longer required written back		29,314	-
Custody services		154	1,090
Commission on sale of Term Finance Certificates		602	-
		1,780,916	1,303,847
28 ADMINISTRATIVE EXPENSES			
Non executive directors fee & allowances		49,034	15,751
Salaries, allowances, etc.		5,883,239	5,231,203
Charge for defined benefit plan	35.7	230,502	145,379
Contribution to defined contribution plan	36	196,230	177,275
Rent, taxes, insurance, electricity, etc.		2,377,585	2,018,612
Legal and professional charges		137,401	221,339
Communications			497,196
Repairs and maintenance		877,975	806,693
Stationery and printing		226,627	189,672
Advertisement and publicity		298,054	383,033
Capital work-in-progress written off		-	99,423
Donations	28.1	11,720	27,570
Auditors' remuneration	28.2	16,569	14,411
Depreciation	11.2	1,707,729	1,631,032
Amortisation of intangible assets	11.3	183,599	173,833
Entertainment, vehicle running expenses, travelling and subscription		454,693	363,300
Others		735,819	662,299
		13,880,361	12,658,021
28.1 Donations			
Marie Adelaide Leprosy Center, Larkana		-	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
		11,720	27,570
None of the directors or their spouses had any interest in the donees.			
28.2 Auditors' remuneration			
Audit fee		5,510	4,860
Half yearly review		1,200	1,000
Special certifications and sundry advisory services		3,677	2,382
Out-of-pocket expenses		899	1,968
		11,286	10,210
Fee for audit of foreign branches		5,283	4,201
		16,569	14,411
29 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		9,858	25,500
Workers' Welfare Fund	29.1	190,073	51,165
		199,931	76,665

29.1 As per the Worker's Welfare Ordinance, 1971, the Group is liable to pay Workers' Welfare Fund @ 2% of its accounting profit before tax or declared income as per the income tax return, whichever is higher.

	2011	2010
	(Rupees in '000)	
30 TAXATION		
For the year		
Current	3,265,316	845,155
Deferred	(1,378,346)	276,763
For prior years		
Current	(586,070)	(262,137)
Deferred	(245,569)	191,081
	(831,639)	(71,056)
Share in tax of associates	1,932	(152,735)
	1,057,263	898,127

30.1 Bank

The income tax assessments of the Bank have been finalised upto and including the tax year 2010. Matters of disagreement exist between the Bank and the 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 the tax year 2010, 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, 2010 & 2011 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.

	2011	2010
	(Rupees in '000)	
30.3 Relationship between tax expense and accounting profit		
Profit before taxation	5,383,151	2,065,110
Tax at the applicable rate of 35% (2010: 35%)	1,884,103	722,789
Effect of:		
- income chargeable to tax at reduced rates	(43,315)	(58,521)
- permanent differences	17,470	38,927
- tax charge pertaining to overseas branches	10,997	17,559
- tax for prior years	(831,639)	(71,056)
- share of profit / loss of associates either exempt from tax or taxed at reduced rates	(8,140)	217,357
- Deferred tax asset not recognised	9,588	19943
- others	18,199	11,129
Tax expense for the year	1,057,263	898,127

	2011	2010
	(Rupees in '000)	
31 BASIC / DILUTED EARNINGS PER SHARE		
Profit after taxation for the year attributable to equity holders of the Parent	4,333,715	1,194,553
	(Number of shares in thousand)	
Weighted average number of ordinary shares	1,349,156	1,349,156
	(Rupees)	
Basic / Diluted earnings per share	3.21	0.89
	2011	2010
	(Rupees in '000)	
32 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	50,882,662	41,197,841
Balances with other banks	17,424,524	16,180,533
Call money lendings	1,647,355	4,773,903
Overdrawn nostro accounts	(27,007)	-
	69,927,534	62,152,277
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 2011 (2010: AA [Double A]) for long term and A1+ [A one plus] for short term).		
	2011	2010
	(Number of employees)	
34 STAFF STRENGTH		
Permanent	6,931	6,876
Temporary / On contractual basis	649	695
Bank's own staff strength at the end of the year	7,580	7,571
Outsourced	2,543	2,438
Total staff strength	10,123	10,009
35 DEFINED BENEFIT PLAN - BANK ALFALAH LIMITED		
35.1 Principal actuarial assumptions		
The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2011. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:		
	2011	2010
Discount factor used	12.50%	14.00%
Expected rate of return on plan assets	12.50%	12.00%
Expected rate of salary increase	12.50%	14.00%
Normal retirement age	60 Years	60 Years
	2011	2010
	(Rupees in '000)	
35.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	1,208,509	1,002,268
Fair value of plan assets	(964,669)	(677,430)
Net actuarial losses not recognised	(243,840)	(324,838)
	-	-

	Note	2011	2010			
		(Rupees in '000)				
35.3 Movement in defined benefit obligation						
Obligations at the beginning of the year		1,002,268	802,966			
Current service cost		115,324	125,207			
Interest cost		140,317	112,415			
Benefits paid		(73,054)	(44,217)			
Actuarial gain on obligation		23,654	5,897			
Obligations at the end of the year		1,208,509	1,002,268			
35.4 Movement in fair value of plan assets						
Fair value at the beginning of the year		677,430	696,403			
Expected return on plan assets		81,292	97,497			
Contributions		230,502	145,379			
Benefits paid		(73,054)	(44,217)			
Actuarial gain / (loss) on plan assets		48,499	(217,632)			
Fair value at the end of the year		964,669	677,430			
35.5 Plan assets consist of the following:						
Ordinary shares		64,538	104,423			
Term Finance Certificates		107,820	92,847			
Term Deposit Receipts		274,264	163,153			
Pakistan Investment Bonds		20,635	18,844			
Units of mutual funds		109,823	144,995			
Cash and bank balances		387,589	153,168			
		964,669	677,430			
35.6 Movement in payable to defined benefit plan						
Opening balance		-	-			
Charge for the year		230,502	145,379			
Bank's contribution to fund made during the year		(230,502)	(145,379)			
Closing balance		-	-			
35.7 Charge for defined benefit plan						
Current service cost		115,324	125,207			
Interest cost		140,317	112,415			
Expected return on plan assets		(81,292)	(97,497)			
Actuarial losses		56,153	5,254			
		230,502	145,379			
35.8 Actual return on plan assets		129,791	(120,135)			
35.9 Historical information		2011	2010	2009	2008	2007
		----- (Rupees in '000) -----				
Defined benefit obligation		1,208,509	1,002,268	802,966	737,369	546,346
Fair value of plan assets		964,669	677,430	696,403	468,272	352,811
Deficit		(243,840)	(324,838)	(106,563)	(269,097)	(193,535)
Experience adjustments on plan liabilities		(23,654)	(5,897)	132,730	(68,203)	(87,394)
Experience adjustments on plan assets		48,499	(217,632)	(3,935)	(28,212)	(2,673)

36 DEFINED CONTRIBUTION PLAN

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

During the year, the Group contributed Rs. 196.230 million (2010: Rs. 177.275 million) in respect of this fund.

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	------(Rupees in '000)-----					
Fee	-	-	49,034	15,751	-	-
Bonus	12,244	10,185	-	-	279,999	261,581
Managerial remuneration	44,386	11,917	-	-	1,918,755	1,105,802
Post employment benefits	74,002	1,619	-	-	154,142	132,044
Rent and house maintenance	5,553	4,599	-	-	379,916	356,045
Utilities	1,388	1,150	-	-	91,082	83,501
Medical allowance	38	35	-	-	212	228
	137,611	29,505	49,034	15,751	2,824,106	1,939,201
Number of persons	3	2	4	4	993	858

* This includes Rs 69.785 million as exgratia bonus paid to the former Chief Executive Officer on cessation of employment.

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

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

38.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group 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. Sub-ordinated loans are carried at redeemable face value as there is no requirement to revalue these under the accounting standards as applicable in Pakistan. 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 financial statements.

The repricing profile, effective rates and maturity are stated in note 43 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.

38.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange - net

Forward sale of foreign exchange - net

	2011		2010	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
	29,873,142	30,213,935	32,707,614	32,437,045
	22,734,732	23,047,576	20,936,061	20,589,124

39 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2011				
	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Total
	-----Rupees in '000-----				
Total income	14,878,381	4,839,652	29,771,962	33,903	49,523,898
Total expenses	13,378,683	4,184,963	26,525,563	51,538	44,140,747
Net income	1,499,698	654,689	3,246,399	(17,635)	5,383,151
Segment assets	162,693,430	23,246,161	282,324,195	82,002	468,345,788
Segment non-performing loans	-	3,333,825	15,227,837	534,952	19,096,614
Segment provision required against loans and advances	-	2,574,849	9,816,063	534,952	12,925,864
Segment liabilities	11,304,032	8,532,084	422,553,031	53,377	442,442,524
Segment return on assets (ROA) (%)	13.41%	20.82%	12.66%	5.43%	
Segment cost of funds (%)	11.93%	13.03%	10.65%	15.89%	
	-----Rupees in '000-----				
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	122,145,258	3,479,864	14,230,448	-	139,855,570
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%	

40 TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers.

41 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, 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.

		2011					
		Directors	Key Management Personnel	Group / Associated companies / Others	Associates note 9.18.1	Strategic Investments	Total
		----- (Rupees in '000) -----					
41.1	Deposits						
	Balance at the beginning of the year	28,787	44,256	148,053	1,227,613	18	1,448,727
	Placements during the year	162,952	526,924	57,718,261	19,110,891	-	77,519,028
	Withdrawals / Adjustments during the year	(97,113)	(530,189)	(56,117,355)	(19,033,960)	-	(75,778,617)
	Balance at the end of the year	94,626	40,991	1,748,959	1,304,544	18	3,189,138
		2010					
		----- (Rupees in '000) -----					
	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
41.2	Advances						
		2011					
		----- (Rupees in '000) -----					
	Balance at the beginning of the year	9,232	149,686	400,000	1,741,096	-	2,300,014
	Disbursements during the year	1,707	26,255	2,631,332	-	-	2,659,294
	Repayments / Adjustments during the year	(10,939)	(49,815)	(732,897)	(1,741,096)	-	(2,534,747)
	Balance at the end of the year	-	126,126	2,298,435	-	-	2,424,561
		2010					
		----- (Rupees in '000) -----					
	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
41.3	Investments						
		2011					
		----- (Rupees in '000) -----					
	Balance at the beginning of the year	-	-	50,000	5,686,949	120,000	5,856,949
	Investments during the year	-	-	20,986	-	-	20,986
	Redemptions / Adjustment during the year	-	-	4,776,589	(4,769,162)	-	7,427
	Balance at the end of the year	-	-	4,847,575	917,787	120,000	5,885,362
	Provisions held against investments	-	-	1,013,563	-	60,000	1,073,563
		2010					
		----- (Rupees in '000) -----					
	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
	Provisions held against investments	-	-	-	1,819,377	60,000	1,879,377

		2011					
		Directors	Key Management Personnel	Group / Associated companies / Others	Associates note 9.18.1	Strategic Investments	Total
		----- (Rupees in '000) -----					
41.4	Call borrowings / Repo						
	Balance at the beginning of the year	-	-	-	-	-	-
	Borrowing during the year	-	-	-	9,280,236	-	9,280,236
	Repayments during the year	-	-	(9,280,236)	-	-	(9,280,236)
	Balance at the end of the year	-	-	-	-	-	-
		----- (Rupees in '000) -----					
		2010					
		----- (Rupees in '000) -----					
	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	-	-	-	-	-	-
		----- (Rupees in '000) -----					
		2011					
		----- (Rupees in '000) -----					
41.5	Call lendings / Reverse Repo						
	Balance at the beginning of the year	-	-	-	-	-	-
	Placements during the year	-	-	10,198,203	-	-	10,198,203
	Withdrawals during the year	-	-	(10,198,203)	-	-	(10,198,203)
	Balance at the end of the year	-	-	-	-	-	-
		----- (Rupees in '000) -----					
		2010					
		----- (Rupees in '000) -----					
	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	2011	2010
		(Rupees in '000)		
41.6	Advances			
	Running finance			
	- Other related parties		1,798,436	1,741,096
	Long term loans			
	- Other related parties		626,125	558,918
41.7	Contingencies and commitments			
	Letters of credit and acceptance outstanding		242,798	27,690
	Guarantees outstanding		973,913	165,578

	Note	2011	2010
		(Rupees in '000)	
41.8 Customer accounts			
PLS accounts			
- Other related parties		2,978,191	1,271,861
Current accounts			
- Other related parties		80,153	112,570
Fixed deposit accounts			
- Other related parties		130,794	64,296
41.9 Balances with other banks			
- Balance with United Bank Limited		1,279,304	930,689
40.10 With associates			
Insurance premium paid to Alfalah Insurance Company Limited		336,096	322,757
Rent income from Alfalah Insurance Limited		2,476	-
Capital loss on redemptions of units of Alfalah GHP Income Multiplier Fund		2,610	-
Mark-up income on advances		-	318,512
Mark-up expense on deposits		-	245,230
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges		-	136,524
Provision made during the year in respect of investment in Warid Telecom (Private) Limited - note 9.18.1		-	1,705,824
Provision made during the year in respect of investment in Wateen Telecom Limited - note 9.18.1		-	113,553
40.11 With other related parties			
Mark-up income on advances		363,304	-
Rent income from Warid Telecom (Private) Limited		20,089	-
Charge for security services to Security and Management Services (Private) Limited and Wakenhut Pakistan (Private) Limited		70,639	36,916
Payment to Wateen Telecom (Private) Limited for purchase of equipment and maintenance charges		91,359	-
Provision made during the year in respect of investment in Warid Telecom (Private) Limited - note 9.18.1		839,892	-
Provision made during the year in respect of investment in Wateen Telecom Limited - note 9.18.1		173,671	-
Capital gain on sale of shares of United Bank Limited		442	1,353
Loss on redemption of units of UMMF / UGIF		-	5,641
Contribution to employees provident fund		196,230	177,275
Contribution to Gratuity fund		230,502	-
Provision made during the year in respect of strategic investments		-	53,963
Mark-up income on financing to group company		80,126	62,076
40.12 The key management personnel / directors compensation are as follows:			
Salaries and allowances		630,112	577,964
Advance against salary		3,000	-

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

42 CAPITAL ADEQUACY

42.1 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 fulfill 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 organisation 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 year.

42.2 Capital adequacy ratio as at December 31, 2011

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.

	2011	2010
	(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
Reserves (excluding foreign exchange translation reserves)	3,661,758	2,961,132
Unappropriated / unremitted profits (net of losses)	5,534,195	(72,693)
Non-controlling interest	(11,066)	(27,570)
Less: Book value of intangibles	(675,312)	(694,915)
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	-	(262,418)
Reciprocal investments in collective investment schemes managed by associated asset management company	(6,675)	-
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	(10,332)	(6,567)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(128,578)	(118,146)
Total Tier I capital	21,855,553	17,238,821
Tier II capital		
Subordinated debt (upto 50% of total Tier 1 capital)	4,833,909	5,598,739
General provisions for loan losses subject to 1.25% of total risk weighted assets	627,522	667,406
Revaluation reserve (upto 45%)	1,611,021	1,380,610
Foreign exchange translation reserves	438,506	858,001
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(128,578)	(118,146)
Total Tier II capital	7,382,380	8,386,610
Eligible Tier III capital	-	-
Total regulatory capital	29,237,933	25,625,431

(a)

	Capital requirements		Risk Weighted Assets	
	2011	2010	2011	2010
-----Rupees in '000-----				
Risk-weighted exposures				
Credit risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	1,659,178	1,369,804	16,591,779	13,698,039
Public sector entities (PSEs)	412,238	524,644	4,122,381	5,246,440
Banks	1,666,465	1,704,352	16,664,645	17,043,521
Corporates	10,847,183	10,898,707	108,471,826	108,987,068
Retail portfolio	3,210,481	3,384,960	32,104,813	33,849,595
Residential mortgage finance	357,347	386,220	3,573,469	3,862,200
Listed equities and regulatory capital instruments issued by others banks	397,669	208,174	3,976,692	2,081,742
Unlisted equity investments	302,167	445,450	3,021,665	4,454,496
Fixed assets	1,281,525	1,355,668	12,815,252	13,556,680
Other assets	504,064	569,301	5,040,637	5,693,007
Past due exposures	745,675	917,690	7,456,749	9,176,896
Market risk				
Portfolios subject to standardised approach				
Interest rate risk	64,945	59,446	811,813	743,075
Equity position risk	-	11,498	-	143,725
Foreign exchange risk	31,990	10,338	399,875	129,225
Operational risk	2,876,310	2,451,809	35,953,875	30,647,613
Total	(b) 24,357,237	24,298,061	251,005,471	249,313,322
Capital adequacy ratio				
Total eligible regulatory capital held	(a) 29,237,933	25,625,431		
Total risk weighted assets	(b) 251,005,471	249,313,322		
Capital adequacy ratio	[a / b * 100]	11.65%	10.28%	

42.3 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 Group 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	2011				2010		
	Rating category	Amount outstanding	Deduction CRM*	Net amount	Amount outstanding	Deduction CRM*	Net amount
Sovereigns other than PKR claims	4,5	8,078,709	899,457	7,179,252	4,806,361	-	4,806,361
PSEs	1	4,091,952	37,756	4,054,196	11,071,537	6,386,568	4,684,969
Banks	1,2,3	7,012,441	-	7,012,441	9,832,919	2,861,256	6,971,663
Banks	4,5	87,132	-	87,132	-	-	-
Banks - FCY claims less than three months	1,2,3	12,863,969	-	12,863,969	11,504,104	144	11,503,960
Banks - FCY claims less than three months	4,5	-	-	-	4,378	-	4,378
Banks - PKR claims less than three months		17,270,215	11,260,581	6,009,634	2,935,270	1,352,121	1,583,149
Corporates	1	19,671,355	-	19,671,355	13,880,493	310,696	13,569,797
Corporates	2	8,696,142	50,971	8,645,171	3,873,453	46,467	3,826,986
Corporates	3,4	983,336	-	983,336	1,581,111	73,755	1,507,356
Corporates	5,6	1,264,015	-	1,264,015	2,190,488	-	2,190,488
Retail portfolio		42,759,543	3,656,235	39,103,308	47,836,159	6,488,588	41,347,571
Unrated		118,025,872	24,098,010	93,927,862	149,444,895	46,891,615	102,553,280
Total		240,804,681	40,003,010	200,801,671	258,961,168	64,411,210	194,549,958

* CRM = Credit Risk Mitigation

43 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 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 requirements, significant steps have been taken by the Bank including review / revision of policies, procedures, rating models and introduction of rating based discretionary powers etc. Further the discretionary powers have been revamped to include presence of Credit Division even at the lowest level. Moreover, for Pillar 2 disclosures ICAAP exercise was also conducted.
- As a policy the reporting line of the risk management function has been kept completely independent of the businesses division.
- The Bank has acquired Temenos T24 banking system as its core banking solution. Bank is evaluating appropriate systems for risk management. Further Bank's existing systems are also being enhanced in line with the growing challenges.

43.1 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 the 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, a 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. The GM RMD reports directly to Chief Risk Officer who reports to CEO. Board Risk Management Committee ensures the Board level oversight of risks embedded in Bank's operations. Besides assisting the Board of Directors in determining the strategic direction of the Bank by providing them the risk perspective it ensures 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 emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of prudent practices the Risk Management Division conducts pre-fact validation of major cases from integrated risk point of view while the discretionary powers for Credit has been revamped to incorporate Obligor Risk Rating and presence of Credit Division even at lowest level. 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 & transaction risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security 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 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 system functionality has been enhanced to provide support to loan origination function and all the Credit Initiation process for Corporate Banking Group. The system is gradually being rolled out for other business groups as well.

The Bank has also developed Facility Rating System in line with SBP's guidelines. The implementation of Facility Rating System, providing estimated LGD (Loss Given Default), will take place in due course with roll out of the Credit Initiation System in other business groups.

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 a 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 of 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.

43.1.1 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 to.

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

43.1.2.1 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.

43.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised and IRB approaches-Basel II specific

43.1.3.1 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.

43.1.3.2 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.

43.1.3.3 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 or hypothecation. 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.

43.1.3.4 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.

43.1.3.5 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 for every business group. 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). Further, the Bank is in the process of developing Group Rating framework and is also working on the framework to restrict the per party / per group exposure limits based on the Internal Risk Rating of the obligor and the group.

43.1.4 Segmental information

43.1.4.1 Segments by class of business

	2011					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	16,829,514	7.96%	4,786,146	1.19%	475,208	0.42%
Automobile & Transportation Equipment	2,595,836	1.23%	5,240,253	1.31%	3,490,790	3.10%
Chemical and Pharmaceuticals	6,263,820	2.96%	3,675,305	0.92%	3,090,389	2.75%
Cement	1,596,337	0.76%	1,247,994	0.31%	829,755	0.74%
Communication	4,135,904	1.96%	12,239,814	3.05%	2,837,843	2.52%
Electronics and Electrical Appliances	3,292,240	1.56%	1,569,481	0.39%	649,001	0.58%
Educational Institutes	1,083,056	0.51%	4,804,148	1.20%	20,857	0.02%
Financial	7,868,004	3.72%	21,818,847	5.44%	32,163,825	28.59%
Fertilizers	6,846,625	3.24%	13,270,418	3.31%	578,384	0.51%
Food & Allied Products	4,341,969	2.05%	2,676,516	0.67%	877,256	0.78%
Glass & Ceramics	314,862	0.15%	417,834	0.10%	51,789	0.05%
Ghee & Edible Oil	5,709,566	2.70%	1,439,915	0.36%	3,767,027	3.35%
Housing Societies / Trusts	2,216,888	1.05%	21,250,321	5.30%	2,113	0.00%
Insurance	108,566	0.05%	1,787,598	0.45%	-	0.00%
Import & Export	2,290,455	1.08%	9,935,974	2.48%	1,582,603	1.41%
Iron / Steel	6,010,852	2.84%	3,729,885	0.93%	3,927,715	3.49%
Oil & Gas	10,725,000	5.07%	23,047,692	5.74%	12,794,176	11.37%
Paper & Board	2,584,211	1.22%	529,610	0.13%	531,131	0.47%
Production and Transmission of Energy	20,506,474	9.70%	10,529,560	2.62%	10,424,545	9.27%
Real Estate / Construction	3,040,685	1.44%	14,727,764	3.67%	3,166,510	2.81%
Retail / Wholesale Trade	8,066,241	3.82%	15,208,735	3.79%	1,409,078	1.25%
Rice Processing and Trading / Wheat	6,505,090	3.08%	2,890,741	0.72%	72,547	0.06%
Sugar	3,799,617	1.80%	1,152,056	0.29%	569,929	0.51%
Shoes and Leather garments	1,941,127	0.92%	794,605	0.20%	611,558	0.54%
Sports Goods	305,744	0.14%	318,304	0.08%	101,781	0.09%
Surgical Goods	479,012	0.23%	412,808	0.10%	62,332	0.06%
Textile Spinning	14,114,457	6.68%	1,418,786	0.35%	444,783	0.40%
Textile Weaving	3,207,989	1.52%	1,126,758	0.28%	565,616	0.50%
Textile Composite	15,537,679	7.35%	2,578,022	0.64%	1,488,053	1.32%
Welfare Institutions	103,252	0.05%	7,142,547	1.78%	475	0.00%
Individuals	27,144,975	12.84%	116,104,408	28.94%	3,276,836	2.91%
Others	21,828,329	10.32%	93,372,830	23.26%	22,629,382	20.13%
	211,394,376	100.00%	401,245,675	100.00%	112,493,287	100.00%

	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	1.70%
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	7.65%	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	16.04%
	217,822,143	100.00%	354,010,690	100.00%	109,244,646	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

43.1.4.2 Segment by sector	2011					
	Advances (Gross)		Deposits		Contingent liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	23,618,336	11%	59,839,825	15%	31,022,278	28%
Private	187,776,040	89%	341,405,850	85%	81,471,009	72%
	211,394,376	100%	401,245,675	100%	112,493,287	100%

	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%

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

	2011		2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, forestry, hunting and fishing	508,009	218,891	505,944	151,541
Textile	4,220,895	2,821,821	2,122,295	1,499,801
Chemical and pharmaceuticals	113,975	62,959	150,496	88,372
Cement	225,571	100,599	-	-
Automobile and transportation equipment			193,169	71,549
Wholesale and retail trade	703,523	278,085	615,852	225,151
Individuals	3,495,241	2,649,206	3,997,042	2,914,175
Others	9,829,400	6,196,213	10,125,514	5,069,872
	19,096,614	12,327,774	17,710,312	10,020,461

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

	2011		2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	19,096,614	12,327,774	17,710,312	10,020,461
	19,096,614	12,327,774	17,710,312	10,020,461

43.1.4.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingent liabilities *
	-----Rupees in '000-----			
Pakistan	4,795,535	421,684,082	18,904,039	103,534,330
Asia Pacific (including South Asia)	531,605	39,845,950	6,612,525	6,157,862
Middle East	56,011	6,815,756	386,700	2,801,095
	5,383,151	468,345,788	25,903,264	112,493,287

	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

* 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

43.2 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.

43.2.1 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:

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	450,128,951	417,787,425	(6,838,139)	25,503,387
United States Dollar	16,762,600	18,346,095	1,868,000	284,505
Great Britain Pound	496,859	3,243,095	2,758,027	11,791
Japanese Yen	103,140	386,177	289,800	6,763
Euro	737,300	2,675,126	1,946,285	8,459
Other currencies	116,938	4,606	(23,973)	88,359
Total foreign currency exposure	18,216,837	24,655,099	6,838,139	399,877
Total currency exposure	468,345,788	442,442,524	-	25,903,264
	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----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

43.2.2 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.

43.3 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 deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles.

43.3.1

Mismatch of interest rate sensitive assets and liabilities

2011

	Effective Yield/Interest Rate	Exposed to Yield/Interest risk						Non-interest bearing financial instruments					
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	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	0.00%	5,534,038	449,729	-	-	-	-	-	-	-	-	-	41,348,624
Balances with other banks	10.96%	7,785,471	-	-	-	-	-	-	-	-	-	-	11,892,626
Lending to financial institutions	10.88%	7,767,931	-	-	-	-	-	-	-	-	-	-	-
Investments	12.25%	2,867,937	34,851,149	56,695,654	38,091,740	7,476	3,597,728	15,438,343	7,657,417	12,080,820	9,294,155	-	4,984,680
Advances	13.10%	22,530,908	22,657,219	37,770,912	59,807,701	11,114,882	9,186,620	14,093,295	-	-	-	-	12,251,081
Other assets	-	47,769,371	57,958,097	94,376,566	97,899,441	13,679,346	12,763,348	29,528,638	19,738,237	-	-	-	70,480,633
Liabilities													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	8.40%	7,099,618	952,236	8,981,663	-	-	-	-	1,108,455	-	-	-	5,403,433
Deposits and other accounts	6.08%	21,328,093	77,529,951	4,767,077	-	-	-	-	1,508,406	137,299	500	-	146,933,199
Sub-ordinated loans	15.38%	-	-	-	477	954	-	-	794,030	1,585,201	-	-	9,265,692
Other liabilities	-	28,427,711	78,482,187	40,480,274	126,128,852	949,272	1,509,360	931,329	2,694,156	-	-	-	161,629,350
On-balance sheet gap													
Off-balance sheet financial instruments													
Forward exchange contracts - purchase	-	-	-	-	-	-	-	-	-	-	-	-	-
Forward exchange contracts - sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Repo transactions resale	-	11,847,028	9,680,979	6,712,088	1,633,047	-	-	-	-	-	-	-	-
Repo transactions repurchase	-	5,565,874	11,094,507	6,074,351	-	-	-	-	-	-	-	-	-
Other assets	-	6,118,181	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	5,495,710	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap													
Total													
Total		50,892,662	181,887,761	208,229,411	267,731,534	126,128,852	112,069,988	28,597,309	17,040,081	9,294,155	-	-	(91,148,717)
Total		50,892,662	181,887,761	208,229,411	267,731,534	126,128,852	112,069,988	28,597,309	17,040,081	9,294,155	-	-	(91,148,717)
Cumulative yield / interest rate risk sensitivity gap													
Total		26,245,285	21,957,618	54,534,029	26,596,394	12,730,074	11,206,988	28,597,309	17,040,081	9,294,155	-	-	-
Total		26,245,285	4,307,667	58,841,696	32,246,332	44,975,406	56,182,394	84,779,703	101,823,784	111,117,939	-	-	-

2010

	Effective Yield/Interest Rate	Exposed to Yield/Interest risk						Non-interest bearing financial instruments					
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	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	1,332,684	680,946	-	-	-	-	-	-	-	33,256,038
Balances with other banks	0.63%	4,507,200	1,096,883	428,184	-	-	-	-	-	-	-	-	8,203,506
Lending to financial institutions	7.09%	4,964,519	49,912,210	29,698,460	12,515,381	1,298,408	1,747,228	3,155,523	7,014,398	10,750,517	12,667,479	-	1,602,589
Investments	11.29%	6,625,364	30,614,429	32,987,259	63,719,732	11,511,327	6,904,273	10,750,517	-	-	-	-	-
Advances	12.75%	207,152,054	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279	30,256,279
Other assets	-	12,192,519	-	-	-	-	-	-	-	-	-	-	-
Liabilities													
Bills payable	-	4,521,333	-	-	-	-	-	-	-	-	-	-	-
Borrowings	8.34%	13,700,124	3,899,564	9,150,442	-	-	-	-	650,118	-	-	-	452,1533
Deposits and other accounts	5.87%	35,401,690	24,138,591	26,964,772	122,430,521	96,846	1,336,464	587,800	619	4,988,000	-	-	124,582,636
Sub-ordinated loans	14.65%	7,557,192	591	1,494	416,879	1,273,943	882,876	4,000	-	-	-	-	-
Liability against assets subject to finance lease	12.53% - 1.9%	591	252	758	1,516	719	720	1,440	-	-	-	-	-
Other liabilities	-	9,040,114	-	-	-	-	-	-	-	-	-	-	9,040,114
On-balance sheet gap													
Off-balance sheet financial instruments													
Forward exchange contracts - purchase	-	-	-	-	-	-	-	-	-	-	-	-	-
Forward exchange contracts - sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Repo transactions resale	-	13,161,813	9,265,804	7,825,022	2,419,499	35,476	-	-	-	-	-	-	-
Repo transactions repurchase	-	20,956,061	9,486,532	4,849,724	5,779,865	-	-	-	-	-	-	-	-
Other assets	-	1,726,402	1,726,402	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	1,812,780	1,812,780	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap													
Total		11,685,175	3,588,903	4,416,080	2,045,157	1,599,559	35,476	-	-	-	-	-	-
Total		11,685,175	3,588,903	4,416,080	2,045,157	1,599,559	35,476	-	-	-	-	-	-
Cumulative yield / interest rate risk sensitivity gap													
Total		29,895,761	33,961,233	30,374,278	(44,332,298)	10,608,703	6,439,911	13,842,060	9,116,180	12,667,479	-	-	12,667,479
Total		29,895,761	63,856,994	94,231,272	49,897,974	60,506,677	66,946,588	80,788,648	89,904,828	102,572,307	-	-	-

	Note	2011	2010
(Rupees in '000)			
43.3.2 Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities			
Total financial assets as per note	43.3.1	453,440,832	396,843,064
Add: Non financial assets			
Operating fixed assets		13,427,693	14,251,595
Deferred tax assets		421,742	-
Other assets		1,055,521	709,223
Total assets as per statement of financial position		468,345,788	411,803,882
Total liabilities as per note	43.3.1	441,232,491	388,845,563
Add: Non financial liabilities			
Deferred tax liabilities		-	993,325
Other liabilities		1,210,033	316,983
Total liabilities as per statement of financial position		442,442,524	390,155,871

43.4 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 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' (CFP) in place to address liquidity issues in times of stress / crisis situations. The CFP is regularly reviewed and updated. Further the Bank has designed different scenarios of cash outflows to stress test efficacy of its liquid assets and its impact on Profit & Loss. The results are regularly reviewed by ALCO for taking appropriate measures.

2011

	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	16,129,477	449,729	-	-	-	-	-	-	34,753,185
Balances with other banks	16,974,795	-	-	-	-	-	-	-	-
Lending to financial institutions	7,757,931	13,821,908	37,537,981	51,151,125	27,115,989	4,239,351	15,983,555	10,173,233	9,177,877
Investments	5,707,707	22,657,219	377,70,912	59,807,701	11,114,882	9,118,620	14,093,295	12,080,819	9,294,155
Advances	198,468,512	182,735	274,103	548,205	1,096,412	1,096,412	2,046,184	1,597,489	6,494,782
Fixed assets	91,371	-	-	-	-	-	-	-	-
Deferred Tax Assets	421,742	-	-	-	-	-	-	-	-
Other assets	13,306,612	125,048	187,573	295,464	114,267	108,256	162,384	157,636	-
	468,345,788	37,236,639	75,770,569	111,802,495	39,449,026	14,562,639	32,707,160	24,009,177	51,459,909
Liabilities									
Bills payable	5,403,453	-	-	-	-	-	-	-	-
Borrowings	18,168,978	952,236	8,981,663	55,244,520	59,451,680	113,429,247	32,866,879	1,108,454	-
Deposits and other accounts	401,245,675	41,870,985	29,425,673	856,999	882,876	2,000	1,665,330	30,242,210	-
Sub-ordinated loans	7,148,693	332	416,819	332	-	-	-	3,324,669	-
Liabilities against assets subject to finance lease	1,328	332	-	-	-	-	-	-	-
Other liabilities	10,474,397	112,842	506,059	1,549,216	1,026,822	1,031,658	1,026,822	147,416	-
	442,442,524	42,936,395	39,330,546	57,651,067	61,361,376	114,462,905	35,559,031	34,822,749	-
Net assets	25,903,264	(5,699,756)	36,440,023	54,151,428	(21,912,352)	(99,900,266)	(2,851,871)	(10,813,572)	51,459,909
Share capital	13,491,563	-	-	-	-	-	-	-	-
Reserves	4,100,264	-	-	-	-	-	-	-	-
Share in share premium of associate	-	-	-	-	-	-	-	-	-
Non-controlling interest	(11,066)	-	-	-	-	-	-	-	-
Unappropriated profit	5,534,195	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,788,308	-	-	-	-	-	-	-	-
	25,903,264	-	-	-	-	-	-	-	-

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.

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	-	-	-	-	-	-
Lending to financial institutions	4,964,519	21,342,666	16,917,880	15,015,380	9,552,392	8,470	16,448,007	9,746,559	287,828
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	30,614,429	312,478	624,949	1,249,900	1,249,900	2,313,639	1,623,598	6,564,656
Fixed assets	104,159	208,316	312,478	574,801	1,249,900	1,249,900	2,313,639	219,809	-
Other assets	11,188,330	162,365	243,550	574,801	146,539	146,539	219,809	219,809	-
	41,803,882	54,880,236	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	-	-	-	-	-	-	-	-
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	354,010,690	55,643,856	29,072,167	416,879	1,273,943	882,876	4,000	17,913,478	-
Sub-ordinated loans	7,567,192	1,494	1,494	1,516	719	720	1,440	4,988,000	-
Liabilities against assets subject to finance lease	5,910	505	758	1,516	-	-	-	-	-
Deferred tax liabilities	983,325	97,402	507,680	688,847	1,101,966	1,101,966	1,101,966	163,254	-
Other liabilities	9,357,097	55,741,763	38,732,541	39,035,851	50,382,650	95,209,930	35,598,673	23,714,850	-
	390,155,871	55,741,763	38,732,541	39,035,851	50,382,650	95,209,930	35,598,673	23,714,850	-
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	-	-	-	-	-	-	-	-

43.5 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 duly approved by the Board and Risk Management Manual includes Operational risk portion, which covers the strategies, processes, structure and functions of Operational risk management and provide guidelines to identify, assess, monitor, control & report operational risk in a consistent & transparent manner across the Bank.

42.5.1 Operational Risk Disclosures - Basel II Specific

Currently, The Bank is using the 'Basic Indicator Approach' for calculating the capital charge for Operational Risk. However, The Bank intends to move towards the 'Alternative Standardised Approach' and for this purpose, the mapping of business activities into Basel defined business lines has already been completed and request been sent to SBP for a parallel run.

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. We have duly launched Operational Loss Database and Key Risk Indicators (KRIs) systems which are web based and the same has been launched on a bank wide basis.

As required by Basel II, the 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

BAL's Information Security Policy and Business Continuity Plan (BCP) have been approved by the Board of Directors and is 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.

44 NON-ADJUSTING EVENT AFTER THE YEAR END REPORTING DATE

The Board of Directors of the Bank in its meeting held on March 01, 2012 has announced cash dividend of 17.5 percent (2010: Nil cash dividend) for the share holders of the Bank. This appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2011 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2012.

45 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on March 01, 2012 by the Board of Directors of the Bank.

46 GENERAL

46.1 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.

46.2 Details of modified report of the subsidiary

The external auditors of Alfalah Securities (Private) Limited have added an emphasis of matter paragraph in their audit report on the financial statements drawing attention to the fact that the company has incurred a net loss of Rs 53.58 million (2010: 114.88 million) during the year ended December 31, 2011 and the company's current liabilities exceeded its current assets by Rs. 32.61 million (Rs. 738.33 million). These conditions indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Chief Executive Officer

Director

Director

Director

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000
OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2011**

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2011				Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	8					
1	Pamir Traders G t Road, Mingora	Arif Iqbal CNIC # 15602-0314451-3	Iqbal Rehman	9,498	1,508	-	11,006	2,809	-	-	2,809	
2	Monis Mobile city	Mohamamd Danish Ghazyani CNIC # 35201-1541591-1	Mohammad Farooq	8,659	1,789	-	10,448	1,299	1,789	-	3,088	
3	Habib Ullah Tariq HOUSE # 183, BLOCK B, PHASE I, STATE LIFE INSURANCE HOUSING SOCIETY, Lahore	Habib ullah Tariq CNIC # 35201-6875421-1	Malik Inayat Ullah	521	214	-	735	521	214	-	735	
			Total	18,678	3,511	-	22,189	4,629	2,003	-	6,632	

ANNEXURE - II ISLAMIC BANKING BUSINESS

The bank is operating 85 Islamic banking branches as at December 31, 2011 (December 31, 2010: 80 branches).

	2011	2010
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	11,086,858	6,557,813
Balances with and due from financial institutions	5,842,516	3,863,809
Lendings to financial institutions	-	-
Investments - net	42,926,997	22,030,393
Advances - net	25,262,319	25,957,935
Fixed assets	1,666,293	1,638,634
Other assets	6,550,952	5,159,502
	93,335,935	65,208,086
LIABILITIES		
Bills payable	636,466	495,152
Borrowings	2,492,367	1,365,090
Deposits and other accounts	80,780,324	55,393,390
Sub-ordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,376	1,376
Other liabilities	3,194,017	3,135,883
	87,104,550	60,390,891
NET ASSETS	6,231,385	4,817,195
REPRESENTED BY		
Islamic banking fund	1,800,000	1,800,000
Exchange equalisation reserve	10,243	12,050
Unappropriated / Unremitted profit	3,678,579	2,247,807
	5,488,822	4,059,857
Surplus on revaluation of assets - net of tax	742,563	757,338
	6,231,385	4,817,195
Remuneration to Shariah Advisor / Board	1,500	1,500
CHARITY FUND		
Opening balance	25,111	10,808
Additions during the year	65,233	50,181
Payments / Utilization during the year	47,300	35,878
Closing balance	43,044	25,111

ANNEXURE - II ISLAMIC BANKING BUSINESS

The bank is operating 85 Islamic banking branches as at December 31, 2011 (December 31, 2010: 80 branches).

	2011	2010
	(Rupees in '000)	
Income / return earned	8,062,131	4,896,987
Income / return expensed	4,345,541	2,421,001
Net income / return before depreciation on assets given on lease	3,716,590	2,475,986
Depreciation on assets given on lease	924,177	468,483
Net income / return earned after depreciation	2,792,413	2,007,503
Provisions against loans and advances - net	23,046	29,664
Provision for diminution in value of investments - net	14,917	-
Bad debts written off directly	1,558	5,281
	39,521	34,945
Net income / return earned after provisions	2,752,892	1,972,558
OTHER INCOME		
Fee, commission and brokerage income	114,326	110,417
Dividend income	33,752	42,913
Income from dealing in foreign currencies	45,345	42,479
Gain on sale of securities - net	-	-
Unrealised gain on revaluation of investments classified as held for trading	-	-
Other income	380,417	236,348
Total non other income	573,840	432,157
	3,326,732	2,404,715
OTHER EXPENSES		
Administrative expenses	1,896,085	1,432,771
Other charges	150	1,991
Total other expenses	1,896,235	1,434,762
	1,430,497	969,953
PROFIT BEFORE TAXATION		
Unappropriated profit brought forward	2,247,807	1,277,579
Transferred from surplus on revaluation of fixed assets - net of tax	275	275
Profit available for appropriation / unremitted profit	3,678,579	2,247,807

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2011

Number of Share Holders	From	Shareholding	To	Number of Shares Held
1,558	1	-	100	65,377
2,726	101	-	500	797,559
2,819	501	-	1,000	2,121,346
7,048	1,001	-	5,000	19,789,531
2,299	5,001	-	10,000	16,467,871
706	10,001	-	15,000	8,644,179
319	15,001	-	20,000	5,672,311
228	20,001	-	25,000	5,188,581
143	25,001	-	30,000	4,012,353
102	30,001	-	35,000	3,349,384
57	35,001	-	40,000	2,157,108
50	40,001	-	45,000	2,151,367
77	45,001	-	50,000	3,788,565
37	50,001	-	55,000	1,944,746
42	55,001	-	60,000	2,422,980
20	60,001	-	65,000	1,256,416
25	65,001	-	70,000	1,705,942
22	70,001	-	75,000	1,611,187
13	75,001	-	80,000	1,021,945
19	80,001	-	85,000	1,573,272
21	85,001	-	90,000	1,860,328
13	90,001	-	95,000	1,197,175
32	95,001	-	100,000	3,189,352
9	100,001	-	105,000	927,374
17	105,001	-	110,000	1,828,513
12	110,001	-	115,000	1,356,656
10	115,001	-	120,000	1,182,597
10	120,001	-	125,000	1,230,530
8	125,001	-	130,000	1,029,494
3	130,001	-	135,000	392,016
8	135,001	-	140,000	1,100,882
3	140,001	-	145,000	429,752
13	145,001	-	150,000	1,930,750
2	150,001	-	155,000	305,375
3	155,001	-	160,000	475,516
7	160,001	-	165,000	1,144,790
7	165,001	-	170,000	1,180,095
3	170,001	-	175,000	513,965
3	175,001	-	180,000	534,970
3	185,001	-	190,000	561,466
3	190,001	-	195,000	578,412
10	195,001	-	200,000	1,992,000
4	200,001	-	205,000	809,187
7	205,001	-	210,000	1,454,428
2	210,001	-	215,000	427,292
1	215,001	-	220,000	220,000
1	220,001	-	225,000	225,000
5	225,001	-	230,000	1,140,990
1	230,001	-	235,000	235,000
2	235,001	-	240,000	475,324
2	240,001	-	245,000	489,629
4	245,001	-	250,000	1,000,000
2	250,001	-	255,000	507,962
4	255,001	-	260,000	1,031,909
3	260,001	-	265,000	783,748

Number of Share Holders	Shareholding			Number of Shares Held
	From		To	
1	265,001	-	270,000	270,000
4	270,001	-	275,000	1,096,453
5	275,001	-	280,000	1,383,720
2	285,001	-	290,000	576,814
1	290,001	-	295,000	291,875
5	295,001	-	300,000	1,498,000
2	300,001	-	305,000	601,700
2	305,001	-	310,000	613,352
1	315,001	-	320,000	316,125
3	320,001	-	325,000	968,061
3	325,001	-	330,000	978,913
1	330,001	-	335,000	335,000
3	335,001	-	340,000	1,013,370
1	345,001	-	350,000	345,933
1	355,001	-	360,000	360,000
1	360,001	-	365,000	363,715
1	365,001	-	370,000	365,325
2	370,001	-	375,000	745,945
2	380,001	-	385,000	767,500
1	390,001	-	395,000	393,376
5	395,001	-	400,000	1,998,250
1	400,001	-	405,000	400,100
1	405,001	-	410,000	410,000
1	420,001	-	425,000	423,473
1	435,001	-	440,000	438,468
1	440,001	-	445,000	443,563
4	445,001	-	450,000	1,798,155
2	465,001	-	470,000	932,658
3	470,001	-	475,000	1,415,454
1	475,001	-	480,000	476,212
6	495,001	-	500,000	3,000,000
3	505,001	-	510,000	1,526,250
1	510,001	-	515,000	513,090
2	515,001	-	520,000	1,033,720
2	520,001	-	525,000	1,041,582
1	530,001	-	535,000	532,041
1	545,001	-	550,000	547,000
2	555,001	-	560,000	1,116,900
2	560,001	-	565,000	1,125,712
1	565,001	-	570,000	570,000
2	570,001	-	575,000	1,140,333
1	575,001	-	580,000	575,250
1	590,001	-	595,000	593,319
2	595,001	-	600,000	1,198,145
1	600,001	-	605,000	604,350
2	605,001	-	610,000	1,212,995
3	625,001	-	630,000	1,885,003
1	635,001	-	640,000	639,598
1	665,001	-	670,000	666,319
2	675,001	-	680,000	1,354,741
1	685,001	-	690,000	688,186
1	695,001	-	700,000	695,307

Number of Share Holders	From	Shareholding	To	Number of Shares Held
1	700,001	-	705,000	700,266
1	760,001	-	765,000	762,875
1	805,001	-	810,000	809,341
1	815,001	-	820,000	819,159
1	835,001	-	840,000	837,000
1	840,001	-	845,000	843,750
1	855,001	-	860,000	860,000
1	865,001	-	870,000	866,660
1	900,001	-	905,000	904,800
1	915,001	-	920,000	918,096
1	960,001	-	965,000	963,410
1	990,001	-	995,000	992,500
6	995,001	-	1,000,000	6,000,000
1	1,010,001	-	1,015,000	1,013,768
1	1,080,001	-	1,085,000	1,084,826
1	1,090,001	-	1,095,000	1,091,950
1	1,100,001	-	1,105,000	1,100,563
1	1,105,001	-	1,110,000	1,109,311
1	1,120,001	-	1,125,000	1,120,837
1	1,270,001	-	1,275,000	1,274,199
1	1,280,001	-	1,285,000	1,283,188
1	1,330,001	-	1,335,000	1,330,192
1	1,345,001	-	1,350,000	1,350,000
2	1,395,001	-	1,400,000	2,796,394
1	1,400,001	-	1,405,000	1,403,122
2	1,495,001	-	1,500,000	2,999,658
1	1,530,001	-	1,535,000	1,534,288
1	1,565,001	-	1,570,000	1,569,172
1	1,590,001	-	1,595,000	1,591,508
1	1,655,001	-	1,660,000	1,657,281
1	1,720,001	-	1,725,000	1,725,000
1	1,740,001	-	1,745,000	1,744,377
1	1,765,001	-	1,770,000	1,765,900
1	1,775,001	-	1,780,000	1,776,800
1	1,880,001	-	1,885,000	1,882,700
1	1,905,001	-	1,910,000	1,905,307
1	1,925,001	-	1,930,000	1,925,875
1	1,965,001	-	1,970,000	1,966,411
1	1,995,001	-	2,000,000	2,000,000
1	2,005,001	-	2,010,000	2,009,427
1	2,035,001	-	2,040,000	2,040,000
1	2,135,001	-	2,140,000	2,136,507
1	2,245,001	-	2,250,000	2,250,000
2	2,295,001	-	2,300,000	4,600,000
1	2,300,001	-	2,305,000	2,302,947
1	2,415,001	-	2,420,000	2,416,895
1	2,495,001	-	2,500,000	2,500,000
1	2,525,001	-	2,530,000	2,527,973
1	2,545,001	-	2,550,000	2,545,600
1	2,645,001	-	2,650,000	2,650,000
1	2,730,001	-	2,735,000	2,731,088
1	3,260,001	-	3,265,000	3,262,300
1	3,315,001	-	3,320,000	3,317,900
1	3,350,001	-	3,355,000	3,352,360
1	3,385,001	-	3,390,000	3,387,603

Number of Share Holders	Shareholding			Number of Shares Held
	From		To	
1	3,530,001	-	3,535,000	3,531,369
1	3,550,001	-	3,555,000	3,551,578
1	3,710,001	-	3,715,000	3,712,805
1	3,850,001	-	3,855,000	3,851,437
1	3,895,001	-	3,900,000	3,900,000
1	4,020,001	-	4,025,000	4,021,538
1	4,215,001	-	4,220,000	4,220,000
1	4,265,001	-	4,270,000	4,270,000
1	4,355,001	-	4,360,000	4,356,359
1	4,380,001	-	4,385,000	4,385,000
1	5,405,001	-	5,410,000	5,410,000
1	5,755,001	-	5,760,000	5,758,675
1	5,825,001	-	5,830,000	5,828,766
1	6,310,001	-	6,315,000	6,312,555
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	6,960,001	-	6,965,000	6,963,327
1	6,975,001	-	6,980,000	6,976,840
1	7,745,001	-	7,750,000	7,749,000
1	8,600,001	-	8,605,000	8,600,060
1	10,520,001	-	10,525,000	10,520,813
1	11,515,001	-	11,520,000	11,520,000
1	11,825,001	-	11,830,000	11,825,818
2	12,515,001	-	12,520,000	25,033,788
1	12,550,001	-	12,555,000	12,552,979
1	13,495,001	-	13,500,000	13,500,000
1	14,650,001	-	14,655,000	14,653,068
1	18,355,001	-	18,360,000	18,358,624
1	19,095,001	-	19,100,000	19,096,875
1	19,125,001	-	19,130,000	19,128,259
1	32,145,001	-	32,150,000	32,149,947
1	36,690,001	-	36,695,000	36,694,424
1	37,820,001	-	37,825,000	37,821,680
1	53,090,001	-	53,095,000	53,090,599
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	75,055,001	-	75,060,000	75,056,234
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
18,756				1,349,156,250

CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2011

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	18,473	873,374,453	64.73
2	Joint Stock Companies	145	76,851,011	5.70
3	Financial Institutions	44	143,124,342	10.61
4	Others	31	128,032,440	9.49
5	Mutual Fund	21	115,204,398	8.54
6	Insurance Companies	16	3,645,623	0.27
7	Investment Companies	15	8,010,721	0.59
8	Charitable Trusts	5	774,723	0.06
9	Modarabas	3	48,045	0.00
10	Leasing Companies	2	90,041	0.01
11	Cooperative Societies	1	453	0.00
		18,756	1,349,156,250	100.00

ADDITIONAL INFORMATION

AS AT DECEMBER 31, 2011

Shareholder's category	Number of shareholders	Number of shares held	Category wise no. of shares held	Percentage %
1- Associated Companies	1		1,499,658	0.11
Alfalah Insurance Company Limited		1,499,658		0.11
2- NIT & ICP	2		12,572,267	0.93
National Bank of Pakistan - Trustee NI(U)T Fund		12,552,979		0.93
National Investment Trust		19,288		0.00
3- Directors & Chief Executive Officer	7		238,980,655	17.71
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. Atif Aslam Bajwa, Director / CEO		500		0.00
4- Executives	334		21,776,737	1.61
5- Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	99		270,033,129	20.01
Shareholders holding 10% or more voting interest				
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			172,354,032	12.77
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 2011	Shares Sold 2011
Mr. Atif Aslam Bajwa, Director / CEO			500	-

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. Khorī 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

Plaza Quarters, Karachi

Shop No. 7, Plot No. 34, Marston Road,
Plaza Quarters, Karachi
PABX: 021-32765415-6, 32765418
Fax: 021-32765412

Khayab-e-Rahat

Plot No. 12-C, Rahat Lane-3
DHA Phase-VI, Karachi.

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.

SHAHDAD PUR

City Survey No. 860-864 Ward A, Station Road,
Shahdadpur, District Sanghar
PABX: 0235-842851-54 Fax: 0235-842855

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

Alamdard Road, Quetta

Shop No. 7-28/4 & 7-28/5, Alamdard Road, Quetta
Phone : (081) 2660284 Fax : (081) 2660287

Suraj Ganj Bazar, Quetta

Shop No. 1-11-12B, Allibhoy Road, Suraj Ganj Bazar,
Phone : (081) 2833464-5 Fax : (081) 2833468

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 -
Guldasht Town Branch**
Zarar Shaheed Road, Guldasht Town, Lahore
Phone : (042) 36635969 Fax : 36635968

EME Society Branch
50-A, Mohafiz Town,
Near EME Society Main Gate, Lahore
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

Sabzazar Multan Road Branch
Plot No. 10, 10-A, B & C, Industrial Muslim Block,
Allama Iqbal Town, Multan Road, Lahore.
Phone : (042) 37804070-79 Fax : (042) 37804075

Link Road, Model Town Branch
Shop No. 2 & 4 to 10, Bridal Centre, Link Road, Lahore.
Phone : (042) 35925801-02 Fax : (042) 35925804

Fruit Market Branch
Plot No. 136, Fruit Market, Ravi Link Road, Lahore.
Phone : (042) 37721966-8 Fax : (042) 37721959

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, Murree Road.
Phone : (051) 4424080-6 Fax : 4424087

Jinnah Road Branch

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

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

Saidpur Road, Rawalpindi

Plot No. 378, Opposite Makkah Cloth,
Saidpur Road, Rawalpindi
PABX: 051-4418646-48 Fax: 051-4418649

Naz Cinema Murree Road, Rawalpindi

Shop No. 13, Gul-Noor Market,
Naz Cinema, Murree Road, Rawalpindi
PABX: 051-4421682-85 Fax: 051-4421680

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, Liaquat 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, Minerva 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

University Road, Peshawar
Ground Floor, Bangash Plaza, University Road, Peshawar
PABX: 091-5843708-09 Fax: 091-5843710

Temargarha
Balambat Road, Main Bazar, Temargarha,
Lower Dir
PABX: 0945-825344 Fax: 0945-825346

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, Gulgash 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

Farid Town Branch

Property No. 386-H, Farid Town, Sahiwal.
Phone : (040) 4553580-83 Fax : (040) 4553584

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

Bungalow 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

Abbottabad City

Shop No. C-15. Cantt Bazar,
Opposite GPO, Abbottabad
PABX: 0992-337161-3 Fax: 0992-337166

JHANG

9-D, Yousuf Shah Road, Jhang Saddar.
Phone : (047) 7624701-3 Fax : 7624704

Mouza Shumali Shorkot Branch
Main Jhang Multan Road, Shorkot, District Jhang.
Phone : (047) 5312018 Fax : (047) 5312016

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 Raod
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

DHA Phase VI, Lahore
115 -J, Main Boulevard Phase VI,
DHA Lahore
PABX: 0322-4355597

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

Hayatabad, Peshawar

Ground Floor, Commercial Complex, Block 2,
Phase V, Hayatabad, Peshawar
PABX: 091-5828136, 5828138-40
Fax: 091-5828137

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, District 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

Mission Chowk, Branch

Shop No. 6-1/36 & 6-1/37, Mission Chowk, Quetta
Phone : (081) 2833639 Fax : (081) 2833619

Sadiqabad Branch

Chak No. 10/NP, Main KLP Road, Sadiqabad, District
Rahim Yar Khan.
Phone : (068) 5706016, 5706017 Fax : (068) 5800014

Jhelum

Saeed Plaza, Civil Lines, Jhelum
PABX: 0544-622406-9 Fax: 0544-520075

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 20th Annual General Meeting
of the Bank to be held on 29th March 2012 and at any adjournment thereof.

As witness my/our hand this _____ day of _____, 2012

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, Office No: 1108, 11th Floor, Trade Centre, 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.