



# **Consolidated Financial Statements**

Bank AL Habib Limited

and

Subsidiary Companies



## Bank AL Habib Limited and its Subsidiary Companies Directors' Report on Audited Consolidated Financial Statements

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiaries M/s AL Habib Capital Markets (Private) Limited and M/s AL Habib Financial Services Limited for the year ended December 31, 2008.

	<b>(Rupees in '000)</b>
Profit for the year before tax	<b>3,533,387</b>
Taxation	<b>(1,166,764)</b>
Profit for the year after tax	<b>2,366,623</b>
Share of loss attributable to minority interest	<b>3,473</b>
Profit attributable to share holders	<b>2,370,096</b>
Unappropriated profit brought forward	<b>1,788,270</b>
Transfer from surplus on revaluation of fixed assets - net of tax	<b>30,713</b>
Profit available for appropriation	<b>4,189,079</b>
Appropriations:	
Transfer to Statutory Reserve	<b>(485,003)</b>
Cash Dividend - 2007	<b>(552,160)</b>
Issue of Bonus Shares - 2007	<b>(1,104,320)</b>
	<b>(2,141,483)</b>
Unappropriated profit carried forward	<b>2,047,596</b>
Earnings per share (after tax)	<b>Rs. 4.95</b>

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2008 is annexed with the financial statements of Bank AL Habib Limited.

On behalf of the Board of Directors

Karachi: February 25, 2009

ALI RAZA D. HABIB  
**Chairman**



## **Auditors' Report to the Members**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Bank AL Habib Limited ("the Bank") as at 31 December 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for fifteen branches, which have been audited by us. The financial statements of subsidiary company, AL Habib Financial Services Limited was audited by other firm of Chartered Accountants whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such auditor.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said 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 AL Habib Limited as at 31 December 2008, and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Karachi: February 25, 2009

KPMG Taseer Hadi & Co.  
**Chartered Accountants**



## Consolidated Balance Sheet as at 31 December 2008

	Note	2008 (Rupees in '000)	2007
<b>ASSETS</b>			
Cash and balances with treasury banks	7	11,936,307	13,766,513
Balances with other banks	8	3,678,211	615,031
Lendings to financial institutions	9	295,396	4,112,429
Investments - net	10	47,967,206	35,277,864
Advances - net	11	100,217,408	79,240,057
Operating fixed assets	12	9,230,607	5,852,648
Deferred tax assets		—	—
Other assets - net	13	4,004,794	2,473,693
		<b>177,329,929</b>	141,338,235
<b>LIABILITIES</b>			
Bills payable	14	2,232,334	2,394,482
Borrowings	15	12,369,743	9,826,525
Deposits and other accounts	16	144,340,496	114,818,032
Sub-ordinated loans	17	2,846,940	2,848,080
Liabilities against assets subject to finance lease	18	327,702	646,557
Deferred tax liabilities - net	19	734,380	560,491
Other liabilities	20	2,799,670	1,830,648
		<b>165,651,265</b>	132,924,815
<b>NET ASSETS</b>		<b>11,678,664</b>	8,413,420
<b>REPRESENTED BY :</b>			
Share capital	21	4,785,388	3,681,068
Reserves		3,079,078	2,527,949
Unappropriated profit		2,047,596	1,788,270
Minority interest		101,397	104,870
		<b>10,013,459</b>	8,102,157
Surplus on revaluation of assets - net of deferred tax	22	1,665,205	311,263
		<b>11,678,664</b>	8,413,420
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

IMTIAZ ALAM HANFI  
*Director*



## Consolidated Profit and Loss Account for the year ended 31 December 2008

	Note	2008 (Rupees in '000)	2007
Mark-up /return/interest earned	24	14,604,237	9,958,902
Mark-up/return/interest expensed	25	(8,002,884)	(5,764,515)
Net mark-up/return/interest income		6,601,353	4,194,387
Provision against non-performing loans and advances - net			
- Specific provision	11.5	(282,173)	(83,779)
- General provision against consumer loans (as per SBP regulations)	11.5	(2,814)	(8,908)
- General provision	11.5	(700,000)	—
Provision for diminution in the value of available for sale investment	10.2.1	(180,679)	(579)
Bad debts written-off directly		—	—
		(1,165,666)	(93,266)
Net mark-up/return/interest income after provisions		5,435,687	4,101,121
<b>NON MARK-UP/INTEREST INCOME</b>			
Fees, commission and brokerage income		922,647	743,673
Dividend income		316,879	31,377
Income from dealing in foreign currencies		1,009,456	532,960
(Loss) / gain on sale of securities	26	(107,231)	597,550
Unrealised gain on sale of securities classified as held for trading		—	2,227
Other income	27	274,553	238,831
Total non mark-up/interest income		2,416,304	2,146,618
		7,851,991	6,247,739
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	28	(4,372,492)	(3,214,550)
Other provisions / assets written-off		—	—
Other charges	29	(1,934)	(401)
Total non mark-up/interest expenses		(4,374,426)	(3,214,951)
Extra-ordinary/unusual items		—	—
		3,477,565	3,032,788
Share of profit of associates		55,822	15,820
<b>PROFIT BEFORE TAXATION</b>		3,533,387	3,048,608
Taxation – Current	30	(1,309,520)	(646,686)
– Prior years		(61,391)	—
– Deferred		204,147	(199,347)
		(1,166,764)	(846,033)
<b>PROFIT AFTER TAXATION</b>		2,366,623	2,202,575
Attributable to:			
Equity holders of parent		2,370,096	2,196,814
Minority interest		(3,473)	5,761
		2,366,623	2,202,575
			(Rupees)
<b>Basic and diluted earnings per share</b>	31	4.95	4.59

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

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Chairman

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Director

IMTIAZ ALAM HANFI  
Director



## Consolidated Statement of Changes in Equity For the year ended 31 December 2008

	Capital Reserve		Revenue Reserves			Total	Minority Interest	Total Equity	
	Share Capital	Statutory Reserve	Special Reserve	General Reserve	Exchange Translation Reserve				Unappropriated Profit
	(Rupees in '000)								
Balance as at 01 Jan. 2007	2,629,334	1,415,212	126,500	540,000	849	1,472,490	6,184,385	99,109	6,283,494
Change in equity for the year ended 31 December 2007									
Final Cash dividend paid for the year 31 December 2006	-	-	-	-	-	(394,400)	(394,400)	-	(394,400)
Transfer from surplus on revaluation of fixed assets - net of tax (note 22.2)	-	-	-	-	-	7,367	7,367	-	7,367
Exchange differences on translation of net investment in foreign operations	-	-	-	-	3,121	-	3,121	-	3,121
Profit for the year	-	-	-	-	-	2,196,814	2,196,814	5,761	2,202,575
Total recognised income and expense for the year	-	-	-	-	3,121	2,204,181	2,207,302	5,761	2,213,063
Transfer to statutory reserve	-	442,267	-	-	-	(442,267)	-	-	-
Issue of bonus shares	1,051,734	-	-	-	-	(1,051,734)	-	-	-
Balance as at 31 Dec. 2007	3,681,068	1,857,479	126,500	540,000	3,970	1,788,270	7,997,287	104,870	8,102,157
Change in equity for the year ended 31 Dec. 2008									
Final cash dividend paid for the year ended 31 Dec. 2007	-	-	-	-	-	(552,160)	(552,160)	-	(552,160)
Transfer from surplus on revaluation of fixed assets - net of tax (note 22.2)	-	-	-	-	-	30,713	30,713	-	30,713
Exchange differences on translation of net investment in foreign operations	-	-	-	-	66,126	-	66,126	-	66,126
Profit for the year	-	-	-	-	-	2,370,096	2,370,096	(3,473)	2,366,623
Total recognised income and expense for the year	-	-	-	-	66,126	2,400,809	2,466,935	(3,473)	2,463,462
Transfer to statutory reserve	-	485,003	-	-	-	(485,003)	-	-	-
Issue of bonus shares	1,104,320	-	-	-	-	(1,104,320)	-	-	-
Balance as at 31 Dec. 2008	4,785,388	2,342,482	126,500	540,000	70,096	2,047,596	9,912,062	101,397	10,013,459

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ALI RAZA D. HABIB  
Chairman

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ANWAR HAJI KARIM  
Director

IMTIAZ ALAM HANFI  
Director



## Consolidated Cash Flow Statement for the

	2008	2007
	(Rupees in '000)	
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	<b>3,533,387</b>	3,048,608
Dividend income	<b>(316,879)</b>	(31,377)
	<b>3,216,508</b>	3,017,231
Adjustments for:		
Depreciation	<b>465,911</b>	342,880
Amortisation	<b>26,530</b>	53,337
Provision against non-performing loans and advances	<b>984,987</b>	92,687
Provision for diminution in the value of available for sale investment	<b>180,679</b>	579
Gain on disposal of operating fixed assets	<b>(17,310)</b>	(20,416)
Share of profit from associates	<b>(55,822)</b>	(15,820)
Unrealised gain on revaluation of investments classified as held for trading	<b>-</b>	(2,227)
Financial charges on leased assets	<b>59,264</b>	86,110
Charge for compensated absences	<b>34,000</b>	54,102
	<b>1,678,239</b>	591,232
	<b>4,894,747</b>	3,608,463
(Increase) / Decrease in operating assets		
Lendings to financial institutions	<b>3,817,033</b>	2,466,371
Advances	<b>(21,962,338)</b>	(8,457,017)
Other assets (excluding advance taxation)	<b>(1,526,181)</b>	(228,530)
	<b>(19,671,486)</b>	(6,219,176)
Increase / (decrease) in operating liabilities		
Bills payable	<b>(162,148)</b>	1,003,869
Borrowings	<b>2,543,218</b>	(962,029)
Deposits	<b>29,522,464</b>	23,446,083
Other liabilities	<b>449,993</b>	582,707
	<b>32,353,527</b>	24,070,630
	<b>17,576,788</b>	21,459,917
Income tax paid	<b>(895,174)</b>	(1,375,637)
Net cash flows from operating activities (Balance carried forward)	<b>16,681,614</b>	20,084,280

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*



## year ended 31 December 2008

	Note	2008 (Rupees in '000)	2007
Net cash flows from operating activities (Balance brought forward)		16,681,614	20,084,280
<b>Cash Flow From Investing Activities</b>			
Net investments		(13,197,388)	(14,278,490)
Dividend received		317,489	31,975
Investments in operating fixed assets		(1,734,925)	(2,016,778)
Sale proceeds of property and equipment disposed - off		22,623	28,687
Exchange differences on translation of net investment in foreign operations		66,126	3,121
Net cash flows from investing activities		(14,526,075)	(16,231,485)
<b>Cash Flow From Financing Activities</b>			
(Payments) / receipts of sub-ordinated loans		(1,140)	760,160
Payments of lease obligations		(378,119)	(423,298)
Dividend paid		(543,306)	(388,505)
Net cash flows from financing activities		(922,565)	(51,643)
Increase in cash and cash equivalents		1,232,974	3,801,152
Cash and cash equivalents at beginning of the year		14,381,544	10,580,392
Cash and cash equivalents at end of the year	32	15,614,518	14,381,544

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

ANWAR HAJI KARIM  
*Director*

IMTIAZ ALAM HANFI  
*Director*





## Notes to the Consolidated Financial Statements For the year ended 31 December 2008

### 1. STATUS AND NATURE OF BUSINESS

The Group consists of:

- Bank AL Habib Limited (Holding Company)
- AL Habib Capital Markets (Private) Limited (Subsidiary Company)
- AL Habib Financial Services Limited (Subsidiary Company)

Bank AL Habib Limited (the Bank) was incorporated in Pakistan on 15 October 1991 as a public limited company under the Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 225 branches (2007: 175 branches), including a wholesale branch (2007: 01) in the Kingdom of Bahrain, a branch (2007: 01) in Karachi Export Processing Zone and four (2007: 04) Islamic Banking branches.

The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The principal objective of the company is to engage in the business of equity, money market and foreign exchange, brokerage, equity research and corporate financial advisory and consultancy services. AL Habib Capital Markets (Private) Limited (the Company) was incorporated in Pakistan as a (Private) Limited Company on 23 August 2005 under the Companies Ordinance, 1984 and started operations from 14 December 2005.

AL Habib Financial Services Limited is a wholly owned subsidiary of the Bank. The principal objective of the company is to engage in arranging / advising on financial products and services. AL Habib Financial Services Limited was incorporated in Dubai on 05 March 2008.

### 2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing 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 purchase and resale arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Note 44 to these financial statements.

### 3. STATEMENT OF COMPLIANCE

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



by the State Bank of Pakistan differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan shall prevail.

The State Bank of Pakistan, vide its BSD Circular No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard 40, 'Investment Property' for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

The Securities and Exchange Commission of Pakistan has notified for adoption "Islamic Financial Accounting Standard 2 - Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan which was applicable for accounting periods beginning 01 January 2008. Consequent to the issuance of IFAS-2, the State Bank of Pakistan through its IBD circular No.1 of 2009, dated 27 January 2009, has deferred the implementation of IFAS-2 from accounting period beginning 01 January 2009. Accordingly, the requirements of this standard has not been considered in preparation of these financial statements.

During the year, IFRIC 9 - Reassessment of embedded derivatives, IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangements, IFRIC 14, IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their interaction, became effective, the application of these standards did not have material effect on the Group's financial statements.

#### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention as modified by revaluation of leasehold land and buildings less accumulated depreciation and valuation of certain investments and derivative financial instruments are measured at fair value.

##### **4.1 Use of estimates and judgements**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 45 to these financial statements.

##### **4.2 Functional currency and presentation currency**

These financial statements are presented in Pak Rupees which is the Group's functional currency. Except as indicated, all financial information presented in Pak Rupees have been rounded to the nearest thousand.



## 5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2009:

Revised IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.

Revised IAS 23 - Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Group's financial statements.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Group does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Group's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Group's financial statements.

Amendment to IFRS 2 Share-Based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have a material effect on the Group's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Group's financial statements.



Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Group's financial statements.

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The standard would be applied when IAS 39 – Financial Instruments – Recognition and Measurement becomes applicable for Banks and would require significant increase in disclosures.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business and geographical segments. This standard will have no effect on the Group's reported total profit or loss or equity.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have a material effect on the Group's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation, an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not likely to have an effect on the Group's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 financial statements. These amendments are unlikely to have an impact on the Group's financial statements.



IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Group's financial statements.

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's financial statements.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 6.1 Basis of consolidation

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

The Bank has the following subsidiaries and associates:

	<b>Percentage of shareholding</b>
<b>Subsidiaries</b>	
AL Habib Capital Markets (Private) Limited	66.67 percent
AL Habib Financial Services Limited	100.00 percent
<b>Associates</b>	
Habib Sugar Mills Limited	6.24 percent
Habib Asset Management Limited	30.00 percent
First Habib Income Fund (Managed by Habib Asset Management Limited)	Not applicable

Investments in Habib Sugar Mills Limited and Habib Asset Management Limited are accounted for under equity method of accounting.



## 6.2 Cash and cash equivalents

Cash and cash equivalents, for the purpose of cash flow statement, represent cash and balances with treasury banks, balances with other banks in current, deposit and savings accounts.

## 6.3 Repurchase agreements

The Group enters into purchase / (sale) of investments under agreements to resale / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resell them at the future dates are not recognised. The amounts paid are recognised as lendings to financial institutions. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of investments are reported as borrowings.

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

## 6.4 Investments

In accordance with BSD Circular No. 10 dated 13 July 2004 as amended vide BSD Circular No. 11 dated 04 August 2004 and BSD Circular No. 14 dated 24 September 2004, issued by the State Bank of Pakistan, the Group classifies its investment portfolio into 'Held for Trading', 'Held to Maturity' and 'Available for Sale' securities as follows:

- **Held for trading**

These are investments acquired principally for the purpose of generating profits from short- term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short-term trading exists.

- **Held to maturity**

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

- **Available for sale**

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

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange or from respective asset management companies, other than investments classified as held to maturity and investments in associates and subsidiaries, are valued at fair value.

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

Investments classified as held to maturity are carried at amortised cost.

Investments other than those categorised as held for trading includes transaction costs associated with the investments. In case of investments classified as held for trading, transaction costs are expensed in the profit and loss account.



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

Provision for diminution in the value of equity securities is made after considering objective evidence of impairment, if any in their values and is taken to profit and loss account. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan.

The difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

Any unrealized surplus / deficit arising on revaluation of investment classified as 'Held-for-Trading' is taken to the profit and loss account and unrealized surplus / deficit arising on revaluation of investment classified as 'Available-for-sale' is taken directly to "surplus / deficit on revaluation of securities" in the balance sheet.

## 6.5 Advances

### Loans and advances

Loans and advances including financing under murabaha and net investment in finance lease / ijarah are stated net of provisions for non-performing advances. Specific and general provisions for non-performing advances are determined keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's assessment. Advances are written off when there are no realistic prospects of recovery.

### Finance lease receivables / Ijarah financing receivable

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in loans and advances to customers.

### Murabaha financing

Funds disbursed under murabaha arrangements for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the balance sheet date are recorded as inventories.

## 6.6 Operating fixed assets

### Tangible - owned

Leasehold lands are stated at revalued amounts. Buildings on leasehold land are stated at revalued amount less accumulated depreciation. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on straight line basis so as to charge of the assets over their expected economic lives at the rates specified in note 12.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged on prorata basis i.e. full month charge in the month of purchase and no charge in the month of disposal.



Land and buildings are revalued by independent valuer with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account (net of deferred tax). Under the provision of the Companies Ordinance, 1984, deficit arising on revaluation of fixed assets is adjusted against the balance of the above surplus account.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is transferred by the Group to un-appropriated profits (net of deferred tax).

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Costs incurred on renovations of rented buildings are capitalized as improvements to lease hold buildings.

Gain or loss arising on the disposal of fixed assets are included in income currently. Surplus on revaluation of fixed assets (net of deferred tax) realized during the year is transferred directly to un-appropriated profit.

#### **Tangible - leased**

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

#### **Intangible assets - owned**

Intangible assets having a finite useful life are stated at cost less accumulated amortization and impairment, if any. Amortization is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 12.3. Intangible assets are amortized on prorata basis i.e. full month amortization in the month of purchase and no amortization in the month of disposal.

#### **Capital work in progress**

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

### **6.7 Taxation**

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

#### **Current**

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

#### **Deferred**

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





## 6.8 Staff retirement benefits

### Defined benefit plan - Employees' Gratuity Fund

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on an actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

### Defined contribution plan - Employees' Provident Fund

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

AL Habib Capital Markets (Pvt.) Ltd. operates an approved funded contributory Provident Fund Scheme for all confirmed employee of the company. Contributions are made by the employers and the employee at the rate of 10 % of the basic salary in accordance with the term of the scheme.

## 6.9 Revenue recognition

Mark-up income and expenses are recognized on a time proportion basis taking into account effective yield on the instrument, except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan on which mark-up is recognized on receipt basis.

Profit on murabaha is recognised on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha i.e. sale of goods to customer, is recognised immediately on the later date.

Profits on diminishing musharika financings are recognised on accrual basis.

Financing method is used in accounting for income from lease / ijara 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 lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.

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

Dividend income from investments is recognised when the right to receive is established.

Fee, commission and brokerage income are recognized as services are performed.

Brokerage, consultancy and advisory fee and commission income etc. are recognised as and when such services are provided.

Income from reverse repurchase transaction and CFS is recognised on the time proportion basis using effective interest method.



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

#### 6.10 Foreign currencies

##### Foreign currency transactions

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. The fair value of forward cover taken from the State Bank of Pakistan for foreign currency deposits is added / deducted from value of foreign currency deposits. Outstanding forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

##### Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the balance sheet date. The income and expense of foreign operations are translated at average rate of exchange for the year.

##### Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign operations which are taken to equity under "Exchange Translation Reserve" and on disposal are recognized in profit or loss account.

##### Commitments

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

#### 6.11 Provision for guarantee claims and other off-balance sheet obligations

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

#### 6.12 Contingent assets

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are recognised, and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.



### 6.13 Other provisions

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

### 6.14 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The significant gain or loss on remeasurement to fair value is recognized in profit and loss account.

### 6.15 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.

### 6.16 Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the balance sheet date.

### 6.17 Off-setting

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

### 6.18 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

### 6.19 Dividend distribution

Declarations of dividend to holders of the equity instruments of the Group are recognised as liability in the period in which it is declared.

### 6.20 Segment reporting

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



## **Business segments**

### *Retail banking*

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc to individual customers, small merchants and SMEs.

### *Corporate commercial banking*

The commercial banking represents provision of banking services including Treasury and International Trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under the Prudential Regulations issued by the State Bank of Pakistan.

### *Retail brokerage*

Retail brokerage activities includes the business of equity, money market and foreign exchange brokerage, equity research and corporate financial advisory and consultancy services.

## **Geographical segments**

The Group operates in two geographic regions, being:

- Pakistan
- Middle East

	Note	2008	2007
		(Rupees in '000)	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		<b>2,912,442</b>	2,535,490
Foreign currencies		<b>434,211</b>	471,233
		<b>3,346,653</b>	3,006,723
In transit – foreign currency		<b>50,623</b>	–
With State Bank of Pakistan in:			
Local currency current account	7.1	<b>4,961,539</b>	9,070,755
Local currency current account-Islamic Banking	7.2	<b>78,841</b>	88,000
Foreign currency deposit account			
Cash reserve account		<b>696,067</b>	561,100
Special cash reserve account	7.3	<b>2,090,933</b>	561,100
Local US Dollar collection account	7.4	<b>36,097</b>	20,978
		<b>7,863,477</b>	10,301,933
With National Bank of Pakistan in:			
Local currency current account		<b>675,554</b>	457,857
		<b>11,936,307</b>	13,766,513



- 7.1 This represents statutory cash reserve maintained under Section 36 of the State Bank of Pakistan Act, 1956.
- 7.2 This represents statutory cash reserve maintained by the Islamic Division Branch in accordance with BPD Circular No. 01 dated 01 January 2003 issued by Islamic Banking department of the State Bank of Pakistan.
- 7.3 This represents special cash reserve maintained against foreign currency deposits mobilised under FE-25 Circular issued by the State Bank of Pakistan and is remunerated at the rate declared by the State Bank of Pakistan on monthly basis. This carries mark-up at the rate of 0.90% (2007: 4.24%) per annum.
- 7.4 This represents US Dollar settlement account opened with the State Bank of Pakistan in accordance with FE Circular No. 02 dated 19 February 2004 and is remunerated at the rate declared by the State Bank of Pakistan on monthly basis. This carries mark-up at the rate of 0.90% (2007: 4.24%) per annum.

	Note	2008	2007
(Rupees in '000)			
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		<b>437,777</b>	164,577
In term deposit accounts	8.1	<b>2,500</b>	2,500
In savings accounts	8.2	<b>100,064</b>	6,694
		<b>540,341</b>	173,771
Outside Pakistan			
In current accounts		<b>727,226</b>	181,073
In deposit accounts	8.3	<b>2,410,644</b>	260,187
		<b>3,137,870</b>	441,260
		<b>3,678,211</b>	615,031



- 8.1 This carries mark-up at the rate of 3.00% (2007: 4.00%) per annum maturing in October 2009 and by Subsidiary company with expected profit of 5% per annum.
- 8.2 These represent saving deposits by Islamic Banking Division with expected profit at the rate of 10.50% (2007: 1.00% - 2.00%) per annum.
- 8.3 These carry mark-up ranging from 0.00% - 2.15% (2007: 3.75% - 5.30%) per annum.

	Note	2008	2007
(Rupees in '000)			
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
<i>In local currency</i>			
Certificates of investment	9.1	–	300,000
Repurchase agreement lendings (Reverse Repo)	9.2	<b>295,396</b>	3,812,429
		<b>295,396</b>	4,112,429

- 9.1 These are certificates of investment of financial institutions carrying profit rate of Nil (2007: 9.85% per annum).

**9.2 Securities held as collateral against lendings to financial Institutions**

	2008			2007		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	<b>295,396</b>	–	<b>295,396</b>	3,812,429	–	3,812,429

- 9.2.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 295.640 million (2007: Rs.3,835 million). These carry mark-up rate of 14.90% (2007: 9.20% to 9.40%) per annum and having maturity period of upto one month.



## 10. INVESTMENTS

	Note	2008			2007		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)							
<b>10.1 Investments by type</b>							
<i>Available for sale securities</i>	10.3						
Market Treasury Bills		39,178,143	497,549	39,675,692	26,213,053	–	26,213,053
Pakistan Investment Bonds		1,408,123	–	1,408,123	1,408,845	–	1,408,845
Government of Pakistan Bonds		394,929	–	394,929	306,332	–	306,332
Sukuk Certificates		1,208,197	–	1,208,197	874,000	–	874,000
Term Finance Certificates		706,739	–	706,739	537,928	–	537,928
Ordinary shares of listed companies and closed end mutual funds		231,897	–	231,897	270,745	–	270,745
Ordinary shares of unlisted companies		35,700	–	35,700	35,700	–	35,700
Open ended mutual funds		105,000	–	105,000	80,000	–	80,000
S.W.I.F.T.		5,805	–	5,805	4,750	–	4,750
		<b>43,274,533</b>	<b>497,549</b>	<b>43,772,082</b>	29,731,353	–	29,731,353
<i>Held to maturity securities</i>	10.4						
Pakistan Investment Bonds		2,058,011	–	2,058,011	2,714,138	–	2,714,138
Government of Pakistan Bonds		394,297	–	394,297	–	–	–
WAPDA Bonds		–	–	–	600,014	–	600,014
Sukuk Certificates		419,444	–	419,444	333,413	–	333,413
Term Finance Certificates		780,894	–	780,894	729,422	–	729,422
		<b>3,652,646</b>	<b>–</b>	<b>3,652,646</b>	4,376,987	–	4,376,987
<i>Associated companies</i>	10.13						
Habib Sugar Mills Limited		202,591	–	202,591	180,977	–	180,977
First Habib Income Fund		701,262	–	701,262	756,889	–	756,889
Habib Asset Management Limited		31,755	–	31,755	10,152	–	10,152
		<b>935,608</b>	<b>–</b>	<b>935,608</b>	948,018	–	948,018
<i>Held for trading</i>	10.7						
Ordinary shares of listed companies		–	–	–	172,715	–	172,715
<b>Investments at cost</b>		<b>47,862,787</b>	<b>497,549</b>	<b>48,360,336</b>	35,229,073	–	35,229,073
Provision for diminution in the value of investment	10.2.1	(184,078)	–	(184,078)	(3,399)	–	(3,399)
<b>Investments (net of provisions)</b>		<b>47,678,709</b>	<b>497,549</b>	<b>48,176,258</b>	35,225,674	–	35,225,674
Unrealised surplus on revaluation of held for trading securities		–	–	–	2,227	–	2,227
(Deficit) / surplus on revaluation of available for sale securities		(209,052)	–	(209,052)	49,963	–	49,963
<b>Total Investments - net</b>		<b>47,469,657</b>	<b>497,549</b>	<b>47,967,206</b>	35,277,864	–	35,277,864
<b>10.1.1 Strategic Investment</b>							
<b>Associated company</b>							
Habib Asset Management Limited		24,750	–	24,750	4,500	–	4,500



	Note	2008 (Rupees in '000)	2007
<b>10.2 Investments by segment</b>			
<i>Federal Government Securities</i>			
– Market Treasury Bills	10.5	<b>39,675,692</b>	26,213,053
– Pakistan Investment Bonds	10.6	<b>3,466,134</b>	4,122,983
– Government of Pakistan Bonds	10.8	<b>789,226</b>	306,332
– WAPDA Bonds	10.9	–	600,014
– Sukuk Certificates	10.10	<b>1,269,444</b>	1,083,413
		<b>45,200,496</b>	32,325,795
<i>Fully paid-up ordinary shares and closed end mutual funds</i>			
– Listed companies and closed end mutual funds	10.3	<b>231,897</b>	443,460
– Unlisted companies	10.12	<b>35,700</b>	35,700
		<b>267,597</b>	479,160
<i>Term Finance Certificates (TFCs)</i>			
– Listed TFCs	10.11	<b>1,113,680</b>	864,231
– Unlisted TFCs	10.11	<b>373,953</b>	403,119
		<b>1,487,633</b>	1,267,350
<i>Others</i>			
– Associated companies	10.13	<b>935,608</b>	948,018
– Open ended mutual funds	10.3	<b>105,000</b>	80,000
– Sukuk Certificates	10.10	<b>358,197</b>	124,000
– S.W.I.F.T.	10.14	<b>5,805</b>	4,750
		<b>1,404,610</b>	1,156,768
<b>Investment at cost</b>		<b>48,360,336</b>	35,229,073
Less: Provision for diminution in the value of investment	10.2.1	<b>(184,078)</b>	(3,399)
		<b>48,176,258</b>	35,225,674
Unrealized surplus on revaluation of held for trading securities		–	2,227
(Deficit) / Surplus on revaluation of available for sale securities		<b>(209,052)</b>	49,963
<b>Total investments - net</b>		<b>47,967,206</b>	35,277,864





	2008	2007
	(Rupees in '000)	
<b>10.2.1 Particulars of provision of diminution in the value of investments</b>		
Opening balance	3,399	2,820
Charge for year		
Impairment loss on listed securities and closed end mutual funds	141,888	–
Impairment loss on unlisted securities	2,301	579
Impairment loss on open ended mutual funds	36,490	–
	<b>180,679</b>	579
Closing balance	<b>184,078</b>	3,399
	10.2.2	
<b>10.2.2 Particulars of provision in respect of type and segment</b>		
Available for sale - fully paid ordinary shares / certificates		
- listed companies and closed end mutual funds		
– Cherat Cement Company Limited	13,638	–
– Engro Chemicals Pakistan Limited	15,689	–
– Oil & Gas Development Company Limited	2,074	–
– Packages Limited	15,010	–
– Pakistan Capital Protected Fund - I	128	–
– Pakistan Petroleum Limited	3,290	–
– Pakistan Strategic Allocation Fund	37,635	–
– PICIC Growth Fund	8,631	–
– PICIC Investment Fund	1,747	–
– The Hub Power Company Limited	44,046	–
	<b>141,888</b>	–
Available for sale - fully paid ordinary shares - unlisted company		
– Pakistan Export Finance Guarantee Agency Limited	5,700	3,399
Available for sale – open ended mutual funds		
– Atlas Islamic Fund	12,000	–
– HBL Stock Fund	4,202	–
– KASB Balanced Fund	7,070	–
– MCB Dynamic Allocation Fund	11,238	–
– NAFA Islamic Income Fund	1,303	–
– United Islamic Income Fund	677	–
	<b>36,490</b>	–
	<b>184,078</b>	3,399

### 10.2.3. Financial information of associated companies

	Year Ended	2008				2007			
		Total Assets	Total Liabilities	Revenues	Profit / (Loss)	Total Assets	Total Liabilities	Revenues	Profit / (Loss)
(Rupees in '000)									
Habib Sugar Mills Ltd.	30 Sept. 08	3,354,483	1,324,019	4,175,804	403,747	2,939,436	959,764	2,838,960	216,213
Habib Asset Management Ltd.	30 June 08	114,488	6,266	35,997	8,049	42,720	10,048	4,750	(11,420)
First Habib Income Fund	30 June 08	1,955,804	49,093	249,037	218,971	1,057,646	11,202	18,703	17,143



### 10.3 Quality of available for sale securities

	2008			2007		
	Rating	Cost	Market value / Carrying value (Rupees in '000)	Rating	Cost	Market value / Carrying value (Rupees in '000)
<b>Federal government securities</b>						
- Market Treasury Bills	Unrated	39,675,692	39,700,914	Unrated	26,213,053	26,191,428
- Pakistan Investment Bonds	Unrated	1,408,123	1,251,540	Unrated	1,408,845	1,484,272
- Government of Pakistan Bonds	CCC+	394,929	395,492	B+	306,332	305,180
- Government of Pakistan Ijara Sukuk	Unrated	100,000	101,000	-	-	-
- WAPDA Sukuk	Unrated	750,000	784,857	Unrated	750,000	751,675
		<b>42,328,744</b>	<b>42,233,803</b>		<b>28,678,230</b>	<b>28,732,555</b>

#### Sukuk certificates

No. of certificates		Name of Companies	Rating	2008		2007	
2008	2007			Cost	Market value / Carrying value	Cost	Market value / Carrying value
20,000	20,000	Dar Al Arkan International Sukuk Co.	A-	158,197	123,394	124,000	122,140
40,000	-	Sui Southern Gas Co. Limited	Unrated	200,000	173,745	-	-
				<b>358,197</b>	<b>297,139</b>	<b>124,000</b>	<b>122,140</b>

#### Term finance certificates - listed

No. of certificates		Name of Companies	Rating	2008		2007	
2008	2007			Cost	Market value / Carrying value	Cost	Market value / Carrying value
6,000	6,000	Allied Bank Limited	AA-	29,976	28,075	29,988	31,975
33,800	-	Allied Bank Limited-II (Pre-IPO)	AA-	169,000	169,000	-	-
5,000	5,000	Askari Bank Limited-II	AA-	24,970	22,460	24,980	26,123
40,000	40,000	Engro Chemicals Pakistan Limited-III	AA	199,920	178,343	200,000	204,500
5,000	5,000	Jahangir Siddiqui & Company Limited-IV	AA+	24,980	24,208	24,990	25,740
6,600	6,600	NIB Bank Limited	A	32,993	26,147	33,000	33,000
20,000	20,000	Orix Leasing Pakistan Limited	AA+	99,940	96,511	99,980	102,679
20,000	20,000	Pak Arab Fertilizers Limited	AA	99,980	86,734	100,000	102,125
5,000	5,000	United Bank Limited-III	AA	24,980	21,081	24,990	26,396
				<b>706,739</b>	<b>652,559</b>	<b>537,928</b>	<b>552,538</b>

#### Shares and closed end mutual funds - listed

No. of ordinary shares / certificates		Name of Companies / Fund	Rating	2008		2007	
2008	2007			Cost	Market value / Carrying value	Cost	Market value / Carrying value
88	-	Adamjee Insurance Co. Limited	AA	10	9	-	-
547	-	Al-Abbas Cement Industries Limited	Unrated	2	2	-	-
141	-	Allied Bank Limited	AA-	5	4	-	-
4,657	-	Arif Habib Bank Limited	A	16	26	-	-
884	-	Arif Habib Limited	Unrated	66	76	-	-
32,686	-	Arif Habib Securities Limited	A+	1,477	1,375	-	-
1,432	-	Askari Bank Limited	AA	23	21	-	-
43	-	Attock Petroleum Limited	Unrated	7	6	-	-
183	39,062	Attock Refinery Limited	AA	12	11	5,156	9,816
218	-	Azgard Nine Limited	A+	4	4	-	-
8,632	-	Bank Alfalah Limited	AA	157	144	-	-
2,117	-	Bankislami Pakistan Limited	A-	11	15	-	-
7	-	BOC Pakistan Limited	Unrated	1	1	-	-
5,458	-	Bosicor Pakistan Limited	Unrated	18	25	-	-



No. of ordinary shares / certificates	Name of Companies / Funds	2008			2007		
		Rating	Cost	Market value / Carrying value (Rupees in '000)	Rating	Cost	Market value / Carrying value (Rupees in '000)
2008	2007						
201,595	201,595	Unrated	15,938	2,300	Unrated	15,938	8,003
173	-	Crescent Steel & Allied Products Limited	A+	3	3	-	-
1,653	-	D.S. Industries Limited	Unrated	21	25	-	-
446	110,000	D.G Khan Cement Company Limited	Unrated	10	9	Unrated	10,231
95	-	Dawood Equities Limited	Unrated	1	1	-	-
72	-	Dawood Lawrencepur Limited	Unrated	3	4	-	-
578	-	Dewan Cement Limited	BB	2	2	-	-
4,748	-	Dewan Sulman Fibre Limited	Unrated	4	7	-	-
1,384	-	Dost Steels Limited	Unrated	11	11	-	-
116	-	E.F.U. General Insurance Limited	AA	14	15	-	-
107,319	17,750	Engro Chemical Pakistan Limited	AA	26,040	10,352	AA	3,855
57	-	Eye Television Network Limited	Unrated	2	2	-	-
2,538	-	Fauji Cement Co. Limited	Unrated	9	12	-	-
271	-	Fauji Fertilizer Bin Qasim Limited	Unrated	3	3	-	-
296	-	Fauji Fertilizer Company Limited	Unrated	17	17	-	-
356	-	Faysal Bank Limited	AA	5	4	-	-
21	-	First National Equities Limited	Unrated	1	1	-	-
286	-	Habib Bank Limited	AA+	23	21	-	-
901	-	Honda Atlas Cars (Pakistan) Limited	Unrated	12	10	-	-
20	-	ICI Pakistan Limited	Unrated	1	1	-	-
52	-	Indus Motor Company Limited	Unrated	6	6	-	-
44,052	33,373	International Industries Limited	Unrated	357	2,025	Unrated	357
18	-	Invest & Finance Securities Limited	Unrated	-	-	-	-
5,061	-	Jahangir Siddiqui & Company Limited	AA+	284	265	-	-
5,644	-	Javed Omer Vohra & Co. Limited	BB+	65	51	-	-
7,932	-	JS Bank Limited	A-	28	46	-	-
532	-	JS Investments Limited	AA-	21	23	-	-
953	-	JS Value Fund Limited	Unrated	3	4	-	-
334	-	Kot Addu Power Company Limited	Unrated	8	11	-	-
36	-	Lucky Cement Limited	Unrated	1	1	-	-
1,266	-	Maple Leaf Cement Factory Limited	BBB+	3	5	-	-
1	-	Mari Gas Company Limited	Unrated	-	-	-	-
873	-	MCB Bank Limited	AA+	118	110	-	-
134	-	Meezan Bank Limited	A+	3	3	-	-
122,211	-	National Bank of Pakistan	AAA	6,603	6,149	-	-
1,409	-	Netsol Technologies Limited	Unrated	38	36	-	-
7,790	-	NIB Bank Limited	AA-	23	36	-	-
186	-	Nishat (Chunian) Limited	Unrated	1	2	-	-
739	-	Nishat Mills Limited	A+	16	17	-	-
86,306	345,000	Oil & Gas Development Company Limited	AAA	6,389	4,315	AAA	46,564
2,391	-	Pace (Pakistan) Limited	A+	26	21	-	-
86,900	-	Packages Limited	AA	22,092	7,082	-	-
1,066,000	1,000,000	Pakistan Capital Protected Fund - I	Unrated	10,000	9,872	Unrated	10,000
5,893	-	Pakistan Cement Company Limited	Unrated	12	19	-	-
138	-	Pakistan Elektron Limited	A	3	3	-	-
251	-	Pakistan International Container Terminal Ltd.	A-	11	11	-	-
3,572	100,000	Pakistan Oil Fields Limited	Unrated	393	366	Unrated	35,809
70,287	65,000	Pakistan Petroleum Limited	Unrated	10,362	7,072	Unrated	11,826



No. of ordinary shares / certificates		Name of Companies / Funds	Rating	2008		Rating	2007	
				Cost	Market value / Carrying value (Rupees in '000)		Cost	Market value / Carrying value (Rupees in '000)
2008	2007							
764	-	Pakistan Premier Fund Limited	Unrated	1	2	-	-	-
11,520	-	Pakistan PTA Limited	Unrated	13	18	-	-	-
399	-	Pakistan Refinery Limited	Unrated	34	39	-	-	-
482	-	Pakistan Reinsurance Company Limited	Unrated	12	11	-	-	-
249	25,000,00	Pakistan State Oil Company Limited	AAA	39	36	AAA	8,064	10,165
4,875,000	4,875,000	Pakistan Strategic Allocation Fund	4-Star	48,750	11,115	4-Star	48,750	44,119
461	-	Pakistan Telecommunication Co. Ltd.	Unrated	8	8	-	-	-
791	-	Pervez Ahmed Securities Limited	Unrated	5	3	-	-	-
250,221	250,000	PICIC Growth Fund	MFR 2-Star	10,030	1,398	MFR 2-Star	10,028	7,125
100,000	100,000	PICIC Investment Fund	MFR 3-Star	1,950	203	MFR 3-Star	1,950	1,320
417	-	Pioneer Cement Limited	BBB	9	10	-	-	-
2,071	-	Saudi Pak Commercial Bank Limited	A-	11	10	-	-	-
73	-	Searle Pakistan Limited	BBB	4	5	-	-	-
2,086	-	Sitara Peroxide Limited	Unrated	34	38	-	-	-
240	-	Soneri Bank Limited	AA-	2	3	-	-	-
262	-	Sui Northern Gas Pipelines Limited	AA	4	6	-	-	-
995	-	Sui Southern Gas Co. Limited	AA-	12	10	-	-	-
7,771	-	Telecard Limited	Unrated	10	15	-	-	-
7	-	Thatta Cement Company Limited	Unrated	-	-	-	-	-
1,221	-	The Bak of Punjab Limited	AA-	18	16	-	-	-
1,848,505	1,597,500	The Hub Power Company Limited	Unrated	70,102	26,056	Unrated	62,217	48,724
20,687	-	TRG Pakistan Limited - Class - A	BBB+	26	37	-	-	-
34	-	Tri Pack Films Limited	A+	4	4	-	-	-
482	-	United Bank Limited	AA+	19	18	-	-	-
1,737	-	Worldcall Telecom Limited	A+	5	5	-	-	-
				<b>231,897</b>	<b>91,136</b>		<b>270,745</b>	<b>249,954</b>

The par value of these share / certificates is Rs. 10 each.

#### Shares - unlisted

No. of ordinary shares		Name of Companies	Rating	2008		Rating	2007	
2008	2007			Cost	Market value / Carrying value		Cost	Market value / Carrying value
3,000,000	30	Khushhali Bank Limited	A-	30,000	30,000	A-	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited	Unrated	5,700	-	Unrated	5,700	2,301
				<b>35,700</b>	<b>30,000</b>		<b>35,700</b>	<b>32,301</b>

#### Open ended mutual funds

No. of units		Name of Funds	Rating	2008		Rating	2007	
2008	2007			Cost	Market value / Carrying value		Cost	Market value / Carrying value
52,417	51,492	Atlas Islamic Fund	Unrated	25,000	13,000	Unrated	25,000	28,146
100,000	100,000	HBL Stock fund	Unrated	10,000	5,798	Unrated	10,000	10,240
500,000	500,000	KASB Balanced Fund	Unrated	25,000	17,930	Unrated	25,000	25,000
250,000	-	MCB Dynamic Allocation Fund	Unrated	25,000	13,762	-	-	-
1,000,000	1,000,000	NAFA Islamic Income Fund	Unrated	10,000	8,697	Unrated	10,000	10,130
100,000	100,000	United Islamic Income Fund	Unrated	10,000	9,323	Unrated	10,000	10,164
				<b>105,000</b>	<b>68,510</b>		<b>80,000</b>	<b>83,680</b>



		2008			2007				
		Rating	Cost	Market value / Carrying value	Rating	Cost	Market value / Carrying value		
		(Rupees in '000)			(Rupees in '000)				
<b>S.W.I.F.T.</b>									
No. of shares		Name of Company							
2008	2007								
24	24	S.W.I.F.T.	Unrated	5,805	5,805	Unrated	4,750	4,750	
				<u>43,772,082</u>	<u>43,378,952</u>			<u>29,731,353</u>	<u>29,777,918</u>

10.3.1 Long term or medium term ratings are used.

10.3.2 Investment in unlisted companies have been shown at their carrying values.

10.4 The market value of held to maturity securities at 31 December 2008 amounted to Rs. 3,222 million (2007: Rs. 4,253 million).

10.5 Market Treasury Bills carry yield ranging from 12.54% - 13.86% (2007: 9.00% - 9.39%) per annum having maturity upto one year.

10.6 Pakistan Investment Bonds are for a period of 3, 5 and 10 years with yields ranging from 9.30% - 14.00% (2007: 7.00% - 14.00%) per annum. Pakistan Investment Bonds having a face value of Rs. 5.00 million are pledged with the Controller of Military Accounts, Karachi as a security deposit for extending banking facilities on account of regimental funds vis-a-vis private fund accounts.

**10.7 Particulars of investments in shares and close end mutual funds:**

Cost of the investments of the Group in shares and closed end mutual funds is as follows:

**Listed - Held for trading**

No. of ordinary shares		Name of Companies	2008	2007
			(Rupees in '000)	
2008	2007			
-	180,000	Abbot Laboratories (Pakistan) Limited	-	40,260
-	30,000	Alghazi Tractors Private Limited	-	8,270
-	38,500	Atlas Insurance Limited	-	5,349
-	25,000	BOC Pakistan	-	6,420
-	20,000	Dawood Lawarance Limited	-	1,840
-	25,000	EFU General Insurance Company Limited	-	8,527
-	9,000	Engro Chemicals Pakistan Limited	-	2,530
-	216,000	Gul Ahmed Textile Mills Limited	-	8,026
-	87,500	IGI Insurance Limited	-	34,642
-	20,000	Jahangir Siddiqui and Company Limited	-	21,124
-	100,000	New Jubilee Insurance Company Limited	-	20,054
-	40,000	Packages Limited	-	15,673
			-	172,715

**10.8 Particulars of investments in Government of Pakistan Bonds**

The book value of investment of the Group in Government of Pakistan Bonds is as follows:

No. of bonds		Redeemable Value	Maturity	Name of Security	2008	2007
		per certificate	Date		(Rupees in '000)	
2008	2007					
<i>Available for sale</i>						
50,000	50,000	*	Feb-09	Government of Pakistan Bonds	394,929	306,332
<i>Held to maturity</i>						
50,000	-	*	Feb-09	Government of Pakistan Bonds	394,297	306,332
					<u>789,226</u>	<u>612,664</u>



\* The par value of Government of Pakistan Bonds is US\$ 100. The return on Government of Pakistan Bonds is at a fixed rate of 6.75% per annum. The redeemable value per certificate is in US\$.

#### 10.9 Particulars of Investment in WAPDA Bonds

*Unlisted - Held to maturity*

The book value of investment of the Group in WAPDA Bonds is as follows:

No. of certificates		Redeemable Value	Maturity	Name of Security	2008	2007
2008	2007	certificate	Date		(Rupees in '000)	
-	120,000	5,000.00	Apr-08	Water and Power Development Authority	-	600,014

#### 10.10 Particulars of Investment in Sukuk Bonds

The book value of investment of the Group in Sukuk Certificates is as follows:

No. of certificates		Redeemable Value	Maturity	Name of Companies	Note	2008	2007
2008	2007	per certificate	Date			(Rupees in '000)	
<i>Available for Sale</i>							
20,000	20,000	*	Jul-12	Dar Al Arkan International Sukuk Company	10.10.1	158,197	124,000
150,000	150,000	5,000.00	Jul-17	WAPDA Second Sukuk Company Limited	10.10.2	750,000	750,00
40,000	-	5,000.00	Dec-12	Sui Southern Gas Company Limited	10.10.3	200,000	-
20,000	-	5,000.00	Sep-11	Government of Pakistan Ijara Sukuk	10.10.4	100,000	-
						<b>1,208,197</b>	<b>874,000</b>
<i>Held to maturity</i>							
50,000	50,000	*	Jan-10	Government of Pakistan Sukuk	10.10.5	394,444	308,413
5,000	5,000	5,000.00	Oct-12	WAPDA First Sukuk Company Limited	10.10.6	25,000	25,000
						<b>419,444</b>	<b>333,413</b>
						<b>1,627,641</b>	<b>1,207,413</b>

\*The redeemable value per certificate is in US\$.

- 10.10.1 The par value of Dar Al Arkan International Sukuk Company is US\$ 100 per certificate (2007: \$100 per certificate). The return is on the basis of three month London Inter-Bank Offer Rate plus a fixed credit spread of 225 basis points.
- 10.10.2 The return on WAPDA Second Sukuk certificates is on a six monthly Karachi Inter-Bank Offer Rate less a fixed credit spread of 25 basis points.
- 10.10.3 Sui Southern Gas Company Limited Sukuk certificates are redeemable semi-annually and carry rate of return equal to three monthly Karachi Inter-Bank Offer Rate plus a fixed credit spread of 20 basis points.
- 10.10.4 Government of Pakistan Ijara Sukuk certificates are redeemable semi-annually and carry rate of return equal to six monthly Treasury Bills plus a fixed credit spread of 45 basis points.
- 10.10.5 The par value of Government of Pakistan Sukuk is US\$ 100 per Certificate and are redeemable semi-annually and carry rate of return equal to six monthly London Inter-Bank Offer Rate plus a fixed credit spread of 220 basis points.
- 10.10.6 WAPDA First Sukuk certificates are redeemable semi-annually and carry rate of return equal to the Karachi Inter-Bank Offer Rate plus 35 basis points.



#### 10.11 Particulars of investment in Term Finance Certificates

The book value of investments of the Group in Term Finance Certificates is as follows:

No. of certificates		Redeemable value per certificate	Maturity Date	Name of Companies	2008	2007
2008	2007				(Rupees in '000)	
<b>Listed-Available for Sale</b>						
6,000	6,000	4,998.00	Dec-14	Allied Bank Limited-I	29,976	29,988
33,800	–	5,000.00	Pre-IPO*	Allied Bank Limited-II	169,000	–
5,000	5,000	4,996.00	Oct-13	Askari Bank Limited-II	24,970	24,980
40,000	40,000	5,000.00	Nov-15	Engro Chemicals Pakistan Limited-III	199,920	200,000
5,000	5,000	4,998.00	May-12	Jahangir Siddiqui & Company Limited-IV	24,980	24,990
20,000	20,000	4,999.00	May-12	Orix Leasing Pakistan Limited	99,940	99,980
20,000	20,000	4,999.00	Feb-12	Pak Arab Fertilizers Company (Private) Limited	99,980	100,000
6,600	6,600	4,998.94	Feb-16	NIB Bank Limited	32,993	33,000
5,000	5,000	4,998.00	Sep-14	United Bank Limited-III	24,980	24,990
					<b>706,739</b>	<b>537,928</b>
<b>Listed-Held to Maturity</b>						
20,000	20,000	4,995.00	Feb-13	Askari Bank Limited-I	99,860	99,900
17,400	–	5,000.00	Pre-IPO*	Allied Bank Limited-II	87,000	–
15,000	15,000	4,994.27	Nov-12	Bank Alfalah Limited	74,885	74,913
–	5,000	1,248.60	Apr-08	Jahangir Siddiqui & Company Limited	–	6,243
9,000	9,000	4,995.00	Feb-13	The Royal Bank of Scotland (formerly ABN Amro Bank)	44,937	44,955
5,000	5,000	4,995.00	May-13	Soneri Bank Limited	24,965	24,975
5,000	5,000	4,997.00	Feb-13	Standard Chartered Bank (Pakistan) Limited-III	24,975	24,985
4,000	4,000	4,999.50	Mar-13	United Bank Limited-II	19,997	19,998
5,000	5,000	4,998.00	Sep-14	United Bank Limited-III	24,980	24,990
1,070	1,070	4,994.39	Aug-12	United Bank Limited-I	5,342	5,344
					<b>406,941</b>	<b>326,303</b>
<b>Unlisted-Held to Maturity</b>						
50,000	50,000	5,000.00	Jan-13	Orix Leasing Pakistan Limited	250,000	250,000
35,000	35,000	4,374.83	Feb-11	Pakistan International Airlines Corporation	123,953	153,119
					<b>373,953</b>	<b>403,119</b>
					<b>1,487,633</b>	<b>1,267,350</b>

These Term Finance Certificates are redeemable in half yearly instalments and carry rate of return ranging from 8.45% - 18.17% (2007: 8.45% - 12.49%) per annum. The certificates of Allied Bank Limited - I, Allied Bank Limited - II, Askari Bank Limited - I, Askari Bank Limited - II, Bank Alfalah Limited, NIB Bank Limited, Soneri Bank Limited, Standard Chartered Bank (Pakistan) Limited - III, The Royal Bank of Scotland (formerly ABN Amro Bank), United Bank Limited - I, United Bank Limited - II and United Bank Limited - III, are subordinated.

\* The maturity date of these Term Finance Certificates will be announced after public offer.



#### 10.12 Particulars of investments in shares-unlisted-Available for sale

Cost of investments of the Group in fully paid-up ordinary shares of unlisted companies is as follows:

No. of ordinary shares		Name of Companies	2008	2007
2008	2007		(Rupees in '000)	
3,000,000	30	Khushhali Bank Limited Formed as per the directive of the Government of Pakistan to provide micro finance in rural areas for alleviating poverty. The par value per share is Rs. 10 (2007:Rs. 1,000,000) Break-up value per share is Rs. 10.63 (2007: Rs. 1,027,293) Chief Executive Officer: Mr. Ghalib Nishter	30,000	30,000
569,958	569,958	Pakistan Export Finance Guarantee Agency Limited A Joint venture between Asian Development Bank and thirteen commercial banks in Pakistan. The par value per share is Rs. 10 (2007: Rs. 10) Break-up value per share is Rs. 3.14 (2007: Rs. 4.04). Chief Executive Officer: Mr. S. M. Zaeem	5,700	5,700
			<b>35,700</b>	<b>35,700</b>

#### 10.13 Particulars of investments in associated companies

Cost of investments of the Group in associated companies is as follows:

No. of shares		Name of Companies	2008	2007
2008	2007			
– Listed				
4,495,830	3,596,664	Habib Sugar Mills Limited 6.24% of share capital of company is owned by the Bank. Market value Rs. 135.908 million (2007: Rs. 192.961 million) The par value per share is Rs. 5 (2007: Rs. 5) Chief Executive: Mr. Raeesul Hassan	202,591	180,977
7,224,291	7,224,291	First Habib Income Fund Net Asset Value Rs. 102.33 (2007: Rs. 101.67) The average cost per unit is Rs. 103.82 (2007: Rs. 103.8) The par value per unit is Rs. 100 Investment Advisor-Habib Asset Management Limited Chief Executive of Investment Advisor: Mr. Imran Azim	701,262	756,889
– Unlisted				
3,375,000	1,350,000	Habib Asset Management Limited 30.00% of share capital of company is owned by the Bank The par value per share is Rs. 10 Break up value per share Rs. 9.62 (2007: Rs. 7.26) Chief Executive: Mr. Imran Azim	31,755	10,152
			<b>935,608</b>	<b>948,018</b>





	2008	2007
	(Rupees in '000)	
<b>10.13.1 Movement of Investment in associated companies</b>		
Beginning of the year	948,018	64,219
Share of profit	55,822	15,820
Investment made - net	20,250	870,651
Dividend received	(88,482)	(2,672)
Closing balance	<u>935,608</u>	<u>948,018</u>
<b>10.14 Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based services by the Bank. Based on the Bank's financial contribution, the Bank has 24 shares (2007: 24 shares) of S.W.I.F.T at year end.</b>		
	2008	2007
	(Rupees in '000)	
<b>11. ADVANCES</b>		
Loans, cash credits, running finances, etc.		
In Pakistan	90,873,987	70,494,489
Outside Pakistan	2,212,836	1,184,888
	93,086,823	71,679,377
Investment in continuous funding system	20,153	57,812
Net investment in finance lease / ijara financing		
In Pakistan	685,722	639,852
Outside Pakistan	-	-
	685,722	639,852
Murabaha financing / receivable	743,719	1,007,878
Bills discounted and purchased (excluding market treasury bills)		
Payable in Pakistan	1,877,868	2,625,735
Payable outside Pakistan	5,008,499	3,451,721
	6,886,367	6,077,456
Advances - gross	101,422,784	79,462,375
Provision for non-performing advances	(1,205,376)	(222,318)
Advances - net of provisions	<u>100,217,408</u>	<u>79,240,057</u>
<b>11.1 Particulars of advances (gross)</b>		
11.1.1 In local currency	92,746,881	66,938,176
In foreign currencies	8,675,903	12,524,199
	<u>101,422,784</u>	<u>79,462,375</u>
11.1.2 Short Term (for upto one year)	83,501,623	65,026,907
Long Term (for over one year)	17,921,161	14,435,468
	<u>101,422,784</u>	<u>79,462,375</u>



## 11.2 Net investment in finance lease / ijara financing

	2008				2007			
	Not later than one year	Later than one year and less than five years	Over Five years	Total	Not later than one year	Later than one year less than five years	Over Five years	Total
	(Rupees in '000)							
Lease rentals receivable	289,031	457,984	-	747,015	200,632	512,845	-	713,477
Add: Guaranteed residual value	6,508	90,454	-	96,962	-	66,527	-	66,527
Minimum lease payments	295,539	548,438	-	843,977	200,632	579,372	-	780,004
Financial charges for future periods	(80,241)	(78,014)	-	(158,255)	(57,193)	(82,959)	-	(140,152)
Present value of minimum lease payments	215,298	470,424	-	685,722	143,439	496,413	-	639,852

	2008 (Rupees in '000)	2007 (Rupees in '000)
11.3 Murabaha receivable - gross	774,821	1,036,941
Less: Deferred murabaha income	(15,286)	(9,138)
Profit receivable shown in other assets	(15,816)	(19,925)
Murabaha financings / receivables	<u>743,719</u>	<u>1,007,878</u>

11.3.1 This includes advance for murabaha aggregating to Rs. 181 million (2007: Rs. 98 million).

11.4 Advances include Rs. 862.550 million (2007: Rs. 216.628 million) which have been placed under non-performing status as detailed below:

Category of classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets									
especially mentioned	3,829	-	3,829	-	-	-	-	-	-
Substandard	306,312	-	306,312	14,975	-	14,975	14,982	-	14,982
Doubtful	200,622	-	200,622	99,800	-	99,800	99,811	-	99,811
Loss	351,787	-	351,787	351,787	-	351,787	351,792	-	351,792
	862,550	-	862,550	466,562	-	466,562	466,585	-	466,585
General Provision									
- against consumer portfolio (11.4.1)	-	-	-	-	-	-	38,791	-	38,791
- against loans and advances (11.4.2)	-	-	-	-	-	-	700,000	-	700,000
	<u>862,550</u>	<u>-</u>	<u>862,550</u>	<u>466,562</u>	<u>-</u>	<u>466,562</u>	<u>1,205,376</u>	<u>-</u>	<u>1,205,376</u>



2007

	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other assets especially mentioned	-	-	-	-	-	-	-	-	-
Substandard	22,291	-	22,291	5,573	-	5,573	5,573	-	5,573
Doubtful	27,145	-	27,145	13,576	-	13,576	13,576	-	13,576
Loss	167,192	-	167,192	167,192	-	167,192	167,192	-	167,192
	<u>216,628</u>	<u>-</u>	<u>216,628</u>	<u>186,341</u>	<u>-</u>	<u>186,341</u>	<u>186,341</u>	<u>-</u>	<u>186,341</u>
General Provision									
- against consumer portfolio (11.4.1)	-	-	-	-	-	-	35,977	-	35,977
- against loans and advances (11.4.2)	-	-	-	-	-	-	-	-	-
	<u>216,628</u>	<u>-</u>	<u>216,628</u>	<u>186,341</u>	<u>-</u>	<u>186,341</u>	<u>222,318</u>	<u>-</u>	<u>222,318</u>

11.4.1 The Prudential Regulations issued by the State Bank of Pakistan effective from 01 January 2004 require banks to maintain a general reserve equal to 1.5% of the consumer portfolio which is fully secured and 5% of the consumer portfolio which is unsecured to protect the Bank from the risk associated with the economic cyclical nature of this business. The Bank has created the general provision for secured and unsecured consumer portfolio amounting to Rs. 38.791 million (2007: Rs 35.977 million).

11.4.2 In line with its prudent policies, the Bank has also created general provision amounting to Rs. 700 million (2007: Nil) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

**11.5 Particulars of provision against non-performing advances:**

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	186,341	35,977	222,318	213,175	27,069	240,244
Charge for the year						
- specific	347,713	-	347,713	134,204	58,908	193,112
- general for consumer portfolio (11.4.1)	-	2,814	2,814	-	-	-
- general provision for loans and advances (11.4.2)	-	700,000	700,000	-	-	-
Reversals	(65,540)	-	(65,540)	(50,425)	(50,000)	(100,425)
	<u>282,173</u>	<u>702,814</u>	<u>984,987</u>	<u>83,779</u>	<u>8,908</u>	<u>92,687</u>
Amount written-off (11.6)	(1,929)	-	(1,929)	(110,613)	-	(110,613)
Closing balance	<u>466,585</u>	<u>738,791</u>	<u>1,205,376</u>	<u>186,341</u>	<u>35,977</u>	<u>222,318</u>

**11.5.1 Particulars of provision against non-performing advances:**

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	<u>466,585</u>	<u>738,791</u>	<u>1,205,376</u>	<u>186,341</u>	<u>35,977</u>	<u>222,318</u>



11.6	<b>Particulars of write offs:</b>	Note	<b>2008</b>	2007
			(Rupees in '000)	
11.6.1	Against provision		<b>1,929</b>	110,613
	Directly charged to profit and loss account		—	—
			<u><b>1,929</b></u>	<u>110,613</u>
11.6.2	Write-offs of Rs. 500,000 and above	11.7	<b>606</b>	110,435
	Write-offs of below Rs. 500,000		<b>1,323</b>	178
			<u><b>1,929</b></u>	<u>110,613</u>
11.7	<b>Detail of loans written-off of Rs. 500,000 and above:</b>			
	In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2007 is given in Annexure 1.			
11.8	<b>Particulars of Loans and Advances to Directors, Associated Companies, etc.</b>		<b>2008</b>	2007
			(Rupees in '000)	
	(i) Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
	Balance at beginning of the year		<b>443,572</b>	406,972
	Loans granted during the year		<b>331,312</b>	195,759
	Repayments		<b>(130,867)</b>	(159,159)
	Balance at end of the year		<u><b>644,017</b></u>	<u>443,572</u>
	(ii) Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members.			
	Balance at beginning of the year		<b>135,143</b>	247,615
	Loans granted during the year		<b>969,758</b>	728,478
	Repayments		<b>(735,901)</b>	(840,950)
	Balance at end of the year		<u><b>369,000</b></u>	<u>135,143</u>
<b>12.</b>	<b>OPERATING FIXED ASSETS</b>			
		Note		
	Capital work-in-progress	12.1	<b>354,091</b>	617,665
	Property and equipment	12.2	<b>8,817,812</b>	5,177,753
	Intangible assets	12.3	<b>17,964</b>	16,490
	Stock Exchange Membership Card		<b>34,750</b>	34,750
	Dubai Gold Commodity Exchange Card		<b>5,990</b>	5,990
			<u><b>9,230,607</b></u>	<u>5,852,648</u>
12.1	<b>Capital work-in-progress</b>			
	Civil works		<b>175,661</b>	200,189
	Advance payment towards property		<b>171,750</b>	411,116
	Consultants' fee and other charges		<b>6,680</b>	6,360
			<u><b>354,091</b></u>	<u>617,665</u>



12.2 Property and equipment

	Cost / Revalued Amount				2008		Depreciation		Book value		Rate of depreciation %
	As at 01 Jan. 2008	Revaluation surplus	Additions/ (deletions)/ transfers*	Reversal of accumulated depreciation / other adjustments**	As at 31 Dec. 2008	As at 01 Jan. 2008	Charge/ (deletions)/ transfers*	Reversal of accumulated depreciation / other adjustments**	As at 31 Dec. 2008	As at 31 Dec. 2008	
	(Rupees in '000)										
<i>Owned</i>											
Leasehold land	1,735,126	681,636	873,701	–	3,138,605	–	–	–	–	3,138,605	–
				(151,858)**	–	–	–	–	–	–	–
Buildings on leasehold land	2,423,206	1,340,071	508,267	(201,130)	4,212,760	202,580	114,711	(201,130)	116,161	4,096,599	2.22-8.33
				142,346**	–						
Improvements to leasehold buildings	178,434	–	131,678	–	303,649	12,165	11,581	–	23,237	280,412	5
			–	(6,463)**				(509)**			
Furniture and fixtures	227,301	–	62,737	–	286,618	76,001	24,693	–	98,302	188,316	10
			(3,420)	–			(2,392)	–			
Electrical, office and computer equipment	285,182	–	394,706	–	836,727	129,522	97,520	–	328,687	508,040	20
			(9,413)	–			(8,657)				
			166,252*	–			110,302*				
Vehicles	25,517	–	133,953	–	161,019	2,994	13,845	–	18,129	142,890	20
			(770)	–			(281)				
			2,319*	–			1,571*				
	4,874,766	2,021,707	2,105,042	(201,130)	8,939,378	423,262	262,350	(201,130)	584,516	8,354,862	
			(13,603)	(15,975)**			(11,330)	(509)**			
			168,571*				111,873*				
<i>Leased</i>											
Electrical, office and computer equipment	751,023	–	–	–	582,342	209,859	143,733	–	242,665	339,677	20
			(2,429)	–			(625)				
			(166,252)*	–			(110,302)*	–			
Vehicles	301,194	–	–	–	295,913	116,109	59,828	–	172,640	123,273	20
			(2,962)	–			(1,726)	–			
			(2,319)*	–			(1,571)*	–			
	1,052,217	–	–	–	878,255	325,968	203,561	–	415,305	462,950	
			(5,391)	–			(2,351)				
			(168,571)*	–			(111,873)*	–			
	5,926,983	2,021,707	2,105,042	(201,130)	9,817,633	749,230	465,911	(201,130)	999,821	8,817,812	
			(18,994)	(15,975)**			(13,681)	(509)**			

\* This represents transfer of equipment from leased to owned assets on completion of lease terms.

\*\*This represents adjustments among different classes of operating fixed assets.



2007

	Cost / Revalued Amount			Depreciation		Book value		Rate of depreciation %
	As at 1 Jan. 2007	Additions/ (deletions)/ transfers*	As at 31 Dec. 2007	As at 1 Jan. 2007	Charge / (deletions) transfers*	As at 31 Dec. 2007	As at 31 Dec. 2007	
(Rupees in '000)								
<i>Owned</i>								
Leasehold land	927,994	807,132	1,735,126	–	–	–	1,735,126	–
Buildings on leasehold land	1,748,161	689,148 (14,103)	2,423,206	122,682	81,648 (1,750)	202,580	2,220,626	2.00-6.67
Improvements to leasehold buildings	102,050	81,476 (5,092)	178,434	5,315	7,115 (265)	12,165	166,269	5
Furniture and fixtures	193,029	44,791 (10,519)	227,301	59,401	20,386 (3,786)	76,001	151,300	10
Electrical, office and computer equipment	77,952	120,173 (10,699) 97,756*	285,182	54,719	20,336 (7,474) 61,941*	129,522	155,660	20
Vehicles	6,300	19,977 (760)	25,517	1,891	1,596 (493)	2,994	22,523	20
	3,055,486	1,762,697 (41,173) 97,756*	4,874,766	244,008	131,081 (13,768) 61,941*	423,262	4,451,504	
<i>Leased</i>								
Electrical, office and computer equipment	674,078	209,685 (34,984) (97,756)*	751,023	128,825	154,650 (11,675) (61,941)*	209,859	541,164	20
Vehicles	245,929	61,085 (5,820)	301,194	60,252	57,149 (1,292)	116,109	185,085	20
	920,007	270,770 (40,804) (97,756)*	1,052,217	189,077	211,799 (12,967) (61,941)*	325,968	726,249	
	3,975,493	2,033,467 (81,977)	5,926,983	433,085	342,880 (26,735)	749,230	5,177,753	

\* This represents transfer of equipments from leased to owned assets on completion of lease term.



### 12.3 Intangible assets

	Cost		2008		Accumulated Amortization		Book value		Rate of amortization %
	As at 1 Jan.	Additions	As at 31 Dec.	As at 1 Jan.	Charge	As at 31 Dec.	As at 31 Dec.		
	(Rupees in '000)								
Computer software	94,262	18,394	112,656	77,772	16,920	94,692	17,964	50	
	2007								
Computer software	72,069	22,193	94,262	62,514	15,258	77,772	16,490	50	

12.4 Disposals / deletions of fixed assets during the year with original cost or book value in excess of Rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book Value	Sale Price	Mode of disposal	Particulars of purchaser
(Rupees in '000)					
Vehicles	326	277	300	Insurance claim settled	Habib Insurance Company Ltd.
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	18,668	5,036	22,323	Various	Various

12.5 During the year no assets were disposed-off to the Chief Executive or a Director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party.

12.6 During the year domestic leasehold land and buildings were revalued by independent professional valuer M/s Iqbal A. Nanjee & Co. and on the basis of market value which resulted in net surplus of Rs. 2,022 million over the book value of the assets as on 01 January 2008.

Had there been no revaluation, the net book value of specific classes of property, plant and equipment would have amounted to:

	Net Book Value	
	2008	2007
(Rupees in '000)		
Leasehold land	1,652,302	1,673,611
Buildings on leasehold land	2,469,264	1,886,202
	<b>4,121,566</b>	<b>3,559,813</b>

The movement in surplus on revaluation of properties is given in note 22.2 to these financial statements.

	Note	2008	2007
(Rupees in '000)			
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued in local currency		3,079,263	1,636,277
Income / mark-up accrued in foreign currencies		74,880	125,352
Advances, deposits, advance rent and other prepayments		378,149	425,520
Unrealized gain on forward foreign exchange contracts		84,518	18,389
Stationery and stamps on hand		96,264	68,546
Receivable from SBP / Government of Pakistan		17,547	5,675
Non refundable deposits	13.1	125,546	119,985
Others		148,627	73,949
		<b>4,004,794</b>	<b>2,473,693</b>



13.1 This represents non-refundable deposits paid in relation to acquisition of some of the Bank's properties. These are being written-off over the periods ranging from 10 to 20 years (being estimated useful lives of related properties).

		2008	2007
		(Rupees in '000)	
<b>14. BILLS PAYABLE</b>			
In Pakistan		<u>2,232,334</u>	<u>2,394,482</u>
<b>15. BORROWINGS</b>			
In Pakistan		<b>11,996,081</b>	7,931,514
Outside Pakistan		<b>373,662</b>	1,895,011
		<u><b>12,369,743</b></u>	<u>9,826,525</u>
<b>15.1 Particulars of borrowings with respect to currencies</b>			
In local currency		<b>11,996,081</b>	7,931,514
In foreign currencies		<b>373,662</b>	1,895,011
		<u><b>12,369,743</b></u>	<u>9,826,525</u>
<b>15.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	15.3	<b>9,799,699</b>	6,479,025
Under Long Term Financing for Export Oriented Projects	15.4	<b>1,179,935</b>	1,452,489
Under Long Term Financing Facility for imported and locally manufactured Plant and Machinery	15.5	<b>518,898</b>	-
Repurchase agreement borrowings	15.6	<b>497,549</b>	-
		<b>11,996,081</b>	7,931,514
<b>Unsecured</b>			
Borrowings from financial institutions	15.7	-	744,000
Overdrawn nostros		<b>373,662</b>	1,151,011
		<u><b>373,662</b></u>	<u>1,895,011</u>
		<u><b>12,369,743</b></u>	<u>9,826,525</u>
15.3	These borrowings carry mark-up rates at 6.50% (2007: 6.50%) per annum and are secured against promissory notes, undertakings in favour of the Bank and export documents, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
15.4	This represents borrowings from the State Bank of Pakistan under Long Term Finance for Export Oriented Products at rates ranging from 4.00% - 5.00% (2007: 4.00% - 5.00%) per annum having maturity period of upto seven and half years.		
15.5	This represents borrowings from the State Bank of Pakistan under Long Term Financing Facility for imported and locally manufactured Plant and Machinery at rates ranging from 6.50% - 7.00% (2007: Nil) per annum having maturity period of upto ten years.		
15.6	This represents repurchase agreement borrowings from other banks at rate 14.9% (2007: Nil) per annum having maturity of upto one month.		
15.7	This represents borrowings from financial institutions at rate Nil (2007: 5.25% - 6.50%) per annum.		





	2008	2007
	(Rupees in '000)	
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	57,183,768	40,739,267
Savings deposits	22,275,727	20,628,769
Current accounts - Remunerative	16,820,578	16,580,475
Current accounts - Non-remunerative	42,967,461	35,518,667
	<u>139,247,534</u>	<u>113,467,178</u>
<b>Financial Institutions</b>		
Remunerative deposits	4,922,248	1,111,894
Non-remunerative deposits	170,714	238,960
	<u>5,092,962</u>	<u>1,350,854</u>
	<u>144,340,496</u>	<u>114,818,032</u>
<b>16.1 Particulars of deposits</b>		
In local currency	126,464,140	101,066,092
In foreign currencies	17,876,356	13,751,940
	<u>144,340,496</u>	<u>114,818,032</u>
<b>17. SUB-ORDINATED LOANS</b>		
Term Finance Certificates (TFCs) - I - Quoted, Unsecured	17.1 1,347,840	1,348,380
Term Finance Certificates (TFCs) - II - Quoted, Unsecured	17.2 1,499,100	1,499,700
	<u>2,846,940</u>	<u>2,848,080</u>
<b>17.1 Term Finance Certificates (TFCs) - I Quoted, Unsecured</b>		
Total issue	Rupees 1,350 million	
Rating	AA-	
Rate	Payable six monthly at average six months KIBOR plus 150 bps	
Floor	3.50% p.a.	
Cap	10.00% p.a.	
Redemption	6-78th month: 0.25% 84th, 90th and 96th month: 33.25% each	
Tenor	8 years	
Maturity	July 2012	



## 17.2 Term Finance Certificates (TFCs) - II Quoted, Unsecured

Total issue	Rupees 1,500 million
Rating	AA-
Rate	Payable six monthly at average six months KIBOR plus 1.95% without any floor and cap
Redemption	6-84th month: 0.28% 90th and 96th month: 49.86% each
Tenor	8 years
Maturity	February 2015

## 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2008			2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	249,530	25,448	224,082	375,013	59,191	315,822
Later than one year and not later than five years	112,392	8,772	103,620	365,224	34,489	330,735
	<b>361,922</b>	<b>34,220</b>	<b>327,702</b>	<b>740,237</b>	<b>93,680</b>	<b>646,557</b>

(Rupees in '000)

18.1 The Group has entered into various lease agreements for computers, office equipments and vehicles. Lease rentals include financial charges at the rate of 10.00% -12.25% (2007: 10.00% - 12.25%) per annum which have been used as discounting factor and are payable monthly. The Group has the option to purchase the assets upon completion of lease period and has intention to exercise it.



2008                      2007  
(Rupees in '000)

**19. DEFERRED TAX ASSETS / (LIABILITIES)**

**Deferred tax credits / taxable temporary differences arising in respect of:**

– Assets on ijara financing	–	(13,224)
– Difference between accounting book value of owned fixed assets and tax base	<b>(1,227,785)</b>	(533,659)
– Revaluation of investments in available for sale	–	(17,592)
– Difference between accounting book value of leased assets and lease liabilities	<b>(47,349)</b>	(27,942)
– Other assets	–	(16,440)
	<b>(1,275,134)</b>	(608,857)

**Deferred tax debits / deductible temporary differences arising in respect of :**

– Provision for loan losses - general	<b>258,577</b>	12,592
– specific	<b>163,304</b>	–
– Revaluation of investments in available for sale	<b>73,397</b>	–
– Provision for compensated absences	<b>28,700</b>	28,700
– Provision for diminution in the value of investments	<b>16,776</b>	1,190
– Other liabilities	–	5,884
	<b>540,754</b>	48,366
	<b>(734,380)</b>	(560,491)

**19.1 Movement in temporary differences during the year**

	Balance as at Jan. 1, 2007	Recognised in profit or loss	Recognised in equity	Balance as at Dec. 31, 2007	Recognised in profit or loss	Recognised in equity	Balance as at Dec. 31, 2008
	(Rupees in '000)						
Deductible temporary differences on							
– provision for diminution in the value of investments	987	203	–	1,190	15,586	–	16,776
– provision against doubtful debts - general	9,474	3,118	–	12,592	245,985	–	258,577
– provision against doubtful debts - specific	–	–	–	–	163,304	–	163,304
– provision against others	9,764	18,936	–	28,700	–	–	28,700
– other liabilities	–	5,884	–	5,884	(5,884)	–	–
Taxable temporary differences on							
– ijara financing	(3,972)	(9,252)	–	(13,224)	13,224	–	–
– fixed assets	(353,528)	(180,131)	–	(533,659)	(225,101)	(469,025)	(1,227,785)
– lease liabilities	(6,277)	(21,665)	–	(27,942)	(19,407)	–	(47,349)
– revaluation of investment in available for sale	(28,308)	–	10,716	(17,592)	–	90,989	73,397
– other assets	–	(16,440)	–	(16,440)	16,440	–	–
	<u>(371,860)</u>	<u>(199,347)</u>	<u>10,716</u>	<u>(560,491)</u>	<u>204,147</u>	<u>(378,036)</u>	<u>(734,380)</u>



	2008	2007
	(Rupees in '000)	
<b>20. OTHER LIABILITIES</b>		
Mark-up / return / interest payable in local currency	1,156,323	520,574
Mark-up / return / interest payable in foreign currencies	91,301	101,408
Accrued expenses	94,442	57,831
Provision for compensated absences	116,000	82,000
Advance payments	71,671	128,751
Taxation (Provision less payments)	517,857	42,118
Unclaimed dividends	27,423	18,569
Branch adjustment account	222,209	395,520
Special exporters' accounts in foreign currencies	22,135	37,046
Unearned income	42,835	10,299
Security deposits against lease	101,061	80,087
Provision for workers' welfare fund	71,866	-
Others	264,547	356,445
	<u>2,799,670</u>	<u>1,830,648</u>

#### 21. SHARE CAPITAL

	2008	2007		
	(Number of shares)			
<b>Authorised Capital</b>				
<u>800,000,000</u>	<u>500,000,000</u>		Ordinary shares of Rs.10 each	<u>8,000,000</u>
				<u>5,000,000</u>
<b>Issued, subscribed and paid-up capital</b>				
<u>30,000,000</u>	30,000,000		Ordinary shares of Rs. 10 each	
<u>448,538,763</u>	338,106,741		fully paid in cash	<u>300,000</u>
			Issued as bonus shares	<u>4,485,388</u>
				<u>3,381,068</u>
	<u>368,106,741</u>			<u>4,785,388</u>
				<u>3,681,068</u>

21.1 Issued, subscribed and paid-up capital at year-end includes 8,941,968 ordinary shares of Rs. 10 each (2007: 6,878,437 shares) held by the associated undertakings.

21.2 After 31 December 2008, the following dividends were proposed by the Board of Directors in respect of year 2008. These dividends have not been provided for.

(Rupees in '000)

Bonus issue at 27.50 shares for 100 shares held	1,315,982
Cash dividend @ Rs. 1.25 per share	598,173

The Board of Directors of the Bank has recommended bonus issue of 27.50% which would increase the paid up capital of the Bank to Rs. 6,101.370 million in compliance with the BSD circular no. 19 dated 05 September 2008 of the State Bank of Pakistan. The State Bank of Pakistan required to increase paid up capital to Rs. 5 billion by 31 March 2009.

#### 21.3 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

#### 21.4 Statutory reserves

The Bank is required to transfer 20% of its profits to statutory reserve until the reserve equals share capital. This reserve is not available for distribution.



		2008	2007
		(Rupees in '000)	
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET</b>			
(Deficit) / Surplus on revaluation of securities - net of tax	22.1	(135,655)	32,372
Surplus on revaluation of fixed assets - net of tax	22.2	1,800,860	278,891
		<u>1,665,205</u>	<u>311,263</u>
22.1 Federal Government Securities		(90,940)	54,325
Quoted shares		1,127	(20,493)
Other securities		(119,239)	16,430
Related deferred tax asset / (liability)		73,397	(17,890)
		<u>(135,655)</u>	<u>32,372</u>
22.2 Surplus on revaluation of fixed assets as on 01 Jan 2008		395,939	407,273
Surplus on revaluation of the Bank's properties during the year		2,021,707	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(30,713)	(7,367)
- net of deferred tax		(16,538)	(3,967)
Related deferred tax liability		(47,251)	(11,334)
		<u>2,370,395</u>	<u>395,939</u>
Less: Related deferred tax liability on:			
Revaluation of fixed assets as on 01 Jan. 2008		117,048	121,015
Revaluation of Bank's properties during the year		469,025	-
Incremental depreciation charged during the year transferred to profit and loss account		(16,538)	(3,967)
		<u>569,535</u>	<u>117,048</u>
		<u>1,800,860</u>	<u>278,891</u>
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
23.1 <b>Direct Credit Substitutes</b>			
Stand-by letter of credit		20,739	-
23.2 <b>Transaction-related Contingent Liabilities</b>			
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:			
- Government		5,243,256	4,560,704
- Financial Institutions		553,408	231,879
- Others		3,654,461	2,237,975
		<u>9,451,125</u>	<u>7,030,558</u>
23.3 <b>Trade-related Contingent Liabilities</b>			
Letters of credit		25,498,917	35,157,398
Acceptances		4,085,219	5,129,748
		<u>29,584,136</u>	<u>40,287,146</u>



#### 23.4 Other contingencies

The Income Tax Authorities have finalised the Income Tax assessment of the Bank upto tax year 2004 (accounting year ended 31 December 2003). The Income Tax Department has filed appeals against the appellate order relating to the assessment years 1995-1996, 2000-2001, 2001-2002, 2002-2003 and Tax years 2003 and 2004 before the Income Tax Appellate Tribunal (ITAT) on which tax liability, if any, of Rs. 40 million may rise. The Bank, based on the earlier decisions at ITAT level in previous years and the tax advisor's opinion is confident of a favourable outcome and expects that no additional liability would arise.

The Bank has filed returns under self assessment scheme as envisaged in the section 120 of the Income Tax Ordinance 2001, for tax years 2005, 2006, 2007 and 2008. Income tax department has amended the assessment of tax for tax years 2005, 2006 and 2007 under section 122(5A) of Income Tax Ordinance, 2001. These amended assessment orders have been passed by adding / disallowing certain expenses / deductions resulting in additional tax liability of Rs 223.042 million. The Bank has filed appeals before Commissioner of Income Tax (Appeals) on these disallowances. The Bank has provided Rs. 61.391 million against the tax charge for prior years. However, the Bank and its Tax Advisor is confident that the decision of the appellate authorities will be in favour of the Bank.

Income Tax department has selected tax year 2008 for audit under section 177 of the Income Tax Ordinance 2001. The proceedings have not yet been started.

	2008 (Rupees in '000)	2007
<b>23.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	<u>1,595,670</u>	<u>1,049,410</u>
<b>23.6 Commitments in respect of forward purchase of Government Securities</b>		
Treasury Bills	<u>5,814,865</u>	<u>—</u>
<b>23.7 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>7,661,905</u>	<u>7,620,287</u>
Sale	<u>5,470,527</u>	<u>6,525,727</u>
The maturities of above contracts are spread over a period upto one year.		
<b>23.8 Commitments for the acquisition of operating fixed assets</b>	<u>198,384</u>	<u>309,046</u>
<b>23.9 Commitments in respect of operating leases</b>		
Not later than one year	<u>—</u>	<u>1,683</u>
<b>23.10 Other Commitments</b>		
Commitment in respect of resale transactions of listed equity securities	<u>20,809</u>	<u>58,056</u>
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
– Customers	<b>10,232,722</b>	6,511,260
– Financial institutions	<b>189,829</b>	146,493
On investments		
– Available for sale securities	<b>3,333,378</b>	2,441,615
– Held to maturity securities	<b>359,838</b>	347,652
On deposits with financial institutions	<b>164,318</b>	233,539
On securities purchased under resale agreements	<b>267,932</b>	190,099
On call money lendings	<b>56,220</b>	88,244
	<u><b>14,604,237</b></u>	<u>9,958,902</u>



	2008	2007
	(Rupees in '000)	
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	7,042,723	4,765,674
Securities sold under repurchase agreements	86,367	78,466
Sub-ordinated loan - TFCs	338,626	314,915
Borrowing from State Bank of Pakistan:		
– under Export Refinance Scheme	412,039	469,969
– under Long-Term Financing for Export Oriented Projects	66,456	65,298
– under Long-Term Financing facility for imported and locally manufactured Plant and Machinery	5,787	–
Other short term borrowings	50,886	70,193
	<b>8,002,884</b>	<b>5,764,515</b>
<b>26. (LOSS) / GAIN ON SALE OF SECURITIES</b>		
Shares - Listed	23,676	175,167
Mutual Funds - Open ended	(130,907)	422,383
	<b>(107,231)</b>	<b>597,550</b>
<b>27. OTHER INCOME</b>		
Gain on disposal of operating fixed assets	17,310	20,416
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges, etc.)	257,243	218,415
	<b>274,553</b>	<b>238,831</b>
<b>28. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances, etc.	1,830,831	1,303,072
Charge for defined benefit plan	34.7 44,132	33,772
Contribution to defined contribution plan	28.1 72,318	52,851
Charge for compensated absences	34,000	54,102
Non-executive directors' fees, allowances and other expenses	960	710
Workers' welfare fund	71,866	–
Rent, taxes, insurance, electricity, etc.	569,346	425,404
Legal and professional charges	21,299	23,931
Communications	137,824	104,295
Repairs and maintenance	191,016	125,649
Rentals of operating leases	1,683	1,836
Financial charges on leased assets	59,264	86,110
Security charges	152,267	94,959
Stationery and printing	125,363	93,714
Advertisement and publicity	113,420	66,557
Donations	28.2 5,710	14,936
Auditors' remuneration	28.3 1,935	1,824
Depreciation	12.2 465,911	342,880
Amortisation	26,530	53,337
Vehicle running expenses	142,234	93,997
Commission and brokerage	60,510	57,221
Subscriptions and publications	38,127	19,833
Clearing charges (NIFT)	40,295	40,216
Others	165,651	123,344
	<b>4,372,492</b>	<b>3,214,550</b>



28.1 The total assets of the Staff Provident Fund were Rs. 431.31 million as on 31 December 2007 as per latest audited financial statements of the Fund.

**2008**                      **2007**  
(Rupees in '000)

28.2 The details of donations in excess of Rupees One hundred thousand are given below:

Al-Sayyeda Benevolent Trust	925	925
Habib Education Trust	900	9,900
Habib Medical Trust	925	925
Habib Poor Fund	900	900
Rahmatbai Habib Food & Clothing Trust	900	900
Rahmatbai Habib Widows & Orphans Trust	900	900
Shaukat Khanum Memorial Hospital and Research Centre	200	100
The Society for the Prevention and Cure of Blindness	-	100

None of the Directors or their spouse had any interest in the above donees.

**2008**                      **2007**  
(Rupees in '000)

**28.3 Auditors' remuneration**

Audit fee	938	963
Fee for half yearly review, audit of provident and gratuity fund, special certifications and sundry advisory services	732	590
Out of pocket expenses	265	271
	<b>1,935</b>	<b>1,824</b>

**29. OTHER CHARGES**

Penalties imposed by the State Bank of Pakistan	<b>1,934</b>	<b>401</b>
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**2008**                      **2007**  
(Rupees in '000)

**30. TAXATION**

For the year		
– Current	1,309,520	646,686
– Deferred	(204,147)	199,347
	<b>1,105,373</b>	<b>846,033</b>
30.1		
For prior years	61,391	-
	<b>1,166,764</b>	<b>846,033</b>





	2008	2007
	(Rupees in '000)	
<b>30.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	<u>3,533,387</u>	<u>3,048,608</u>
Tax at the applicable rate of 35% (2007: 35%)	<u>1,236,685</u>	1,067,013
Tax effect of:		
– Expenses that are not deductible in determining taxable income	<u>(6,310)</u>	13,468
– Dividend income taxed at reduced rate	<u>(101,329)</u>	(7,830)
– Capital gain on sale of quoted shares being exempt from tax	<u>1,798</u>	(221,016)
– Reversal of tax on share of profit of associates	<u>(19,538)</u>	–
– Property income taxed at reduced rate	<u>730</u>	(1,277)
– Others	<u>(6,663)</u>	(4,325)
	<u>1,105,373</u>	<u>846,033</u>
<b>31. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year attributable to the share holders of holding company	<u>2,370,096</u>	<u>2,196,814</u>
	(Number)	
Weighted average number of ordinary shares	<u>478,538,763</u>	<u>478,538,763</u>
	(Rupees)	
Basic and diluted earnings per share	<u>4.95</u>	<u>4.59</u>
<b>32. CASH AND CASH EQUIVALENTS</b>		
	2008	2007
	(Rupees in '000)	
Cash and balance with treasury banks	<u>11,936,307</u>	13,766,513
Balance with other banks	<u>3,678,211</u>	615,031
	<u>15,614,518</u>	<u>14,381,544</u>
<b>33. STAFF STRENGTH</b>		
	2008	2007
	(Numbers)	
Permanent	<u>3,214</u>	2,643
Temporary / on contractual basis	<u>123</u>	93
Daily wages	–	–
Others	–	–
Bank's own staff at end of the year	<u>3,337</u>	2,736
Outsourced	<u>871</u>	645
Total staff strength	<u>4,208</u>	<u>3,381</u>



## 34. DEFINED BENEFIT PLAN - EMPLOYEES' GRATUITY FUND

### General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Board of Trustees. The Bank's costs and contributions are determined based on an actuarial valuation carried out at each year end by using Projected Unit Credit Actuarial Cost Method. The benefits under the gratuity scheme are payable on retirement at the age of 60 or on earlier cessation of service as under:

34.1 Number of years of eligible service completed:	Amount of gratuity payable:
– Less than 5 years	Nil
– 5 years or more but less than 10 years	1/3rd of basic salary for each year served
– 10 years or more but less than 15 years	2/3rd of basic salary for each year served
– 15 years or more	Full basic salary for each year served

### 34.2 Principal actuarial assumptions

The last actuarial valuation of the scheme was carried out on 31 December 2008 and the significant assumptions used for actuarial valuation were as follows:

	2008	2007
Discount rate	14.00% p.a.	10.00% p.a.
Expected rate of increase in salary in future years	13.00% p.a.	9.00% p.a.
Expected rate of return on plan assets	14.00% p.a.	10.00% p.a.

	2008	2007
	(Rupees in '000)	
<b>34.3 Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligations	<b>314,703</b>	223,093
Fair value of plan assets	<b>(181,364)</b>	(135,505)
Net actuarial losses not recognized	<b>(133,339)</b>	(87,588)
	<u>–</u>	<u>–</u>
<b>34.4 Movement in defined benefit obligation:</b>		
Obligation as at 1 January	<b>223,093</b>	158,620
Current service cost	<b>31,350</b>	24,701
Interest cost	<b>22,972</b>	16,737
Benefits paid	<b>(9,810)</b>	(3,796)
Actuarial gain on obligation	<b>47,098</b>	26,831
Obligation as at 31 December	<b>314,703</b>	223,093
<b>34.5 Movement in fair value of plan assets</b>		
Fair value as at 1 January	<b>135,505</b>	96,453
Expected return on plan assets	<b>14,852</b>	10,974
Contribution by the bank	<b>44,132</b>	33,772
Benefits paid	<b>(9,810)</b>	(3,796)
Actuarial loss on plan assets	<b>(3,315)</b>	(1,898)
Fair value as at 31 December	<b>181,364</b>	135,505



	2008	2007
	(Rupees in '000)	
<b>34.6 Movement in actuarial (gain) / loss</b>		
– Unrecognised actuarial loss as at 01 January	87,588	62,167
– Amount recognised during the year	<u>(4,662)</u>	<u>(3,308)</u>
	82,926	58,859
– Actuarial loss during the year	<u>50,413</u>	<u>28,729</u>
– Net unrecognised actuarial losses as at 31 December	<u><u>133,339</u></u>	<u><u>87,588</u></u>
<b>34.7 Movement in (receivable) / payable to defined benefit</b>		
Balance as at 1 January	–	–
Charge for the year	44,132	33,772
Contribution to the fund during the year		
– Bank's contribution	<u>(44,132)</u>	<u>(33,772)</u>
Balance as at 31 December	<u><u>–</u></u>	<u><u>–</u></u>
<b>34.8 Charge for defined benefit plan</b>		
Current service cost	31,350	24,701
Interest cost	22,972	16,737
Expected return on plan assets	<u>(14,852)</u>	<u>(10,974)</u>
Amortisation of actuarial losses	<u>4,662</u>	<u>3,308</u>
	<u><u>44,132</u></u>	<u><u>33,772</u></u>
<b>34.9 Actual return on plan assets</b>		
The actual return on the assets during the year is:		
– Expected return on plan assets	14,852	10,974
– Actuarial loss on plan assets	<u>(3,315)</u>	<u>(1,898)</u>
	<u><u>11,537</u></u>	<u><u>9,076</u></u>

#### 34.10 Five year data on surplus / (deficit) of the plans & experience adjustments

	2008	2007	2006	2005	2004
	(Rupees in '000)				
– Present value of defined benefit obligation	<u>(314,703)</u>	(223,093)	(158,620)	(108,992)	(80,524)
– Fair value of plan assets	<u>181,364</u>	135,505	96,453	63,902	54,399
– Deficit	<u><u>(133,339)</u></u>	<u>(87,588)</u>	<u>(62,167)</u>	<u>(45,090)</u>	<u>(26,125)</u>
– Experience adjustments on plan liabilities - (loss) / gain	<u>(47,098)</u>	26,831	19,199	18,657	15,308
– Experience adjustments on plan assets - (loss) / gain	<u>(3,315)</u>	(1,898)	(320)	(1,599)	(88)



	2008	2007
<b>34.11 Components of plan assets as a percentage of total plan assets</b>		
– Term finance certificate	<b>22.24%</b>	24.08%
– Federal Government Treasury Bills	<b>19.82%</b>	0.00%
– Others (including bank balances)	<b>57.94%</b>	75.92%
	<b>100.00%</b>	100.00%

**34.12 Expected contribution to be paid to the funds in the next financial year**

The Bank contributes to the gratuity fund according to the actuary's advice. Based on actuarial advice the Management estimates that the charge in respect of defined benefit plans for the year ending 31 December 2009 would be as follows:

Expected charge and contribution for the year 2009 (Rupees in '000)	<b>67,684</b>
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**35. COMPENSATION OF DIRECTOR AND EXECUTIVES**

	(Rupees in '000)					
	Chief Executive		Directors		*Executives	
	2008	2007	2008	2007	2008	2007
Fees	–	–	960	710	–	–
Managerial remuneration	11,654	7,400	3,870	3,300	339,752	236,040
Charge for defined benefit plan	500	333	330	300	9,094	6,565
Contribution to provident fund	1,090	740	387	330	27,090	18,737
Rent and house maintenance	4,360	2,960	1,548	1,320	135,901	94,416
Utilities	1,559	1,081	387	330	33,975	23,604
Medical	28	83	46	29	8,472	6,017
Bonus	3,750	1,000	1,290	900	110,753	57,094
Others	–	–	–	–	3,345	2,737
	<b>22,941</b>	13,597	<b>8,818</b>	7,219	<b>668,382</b>	445,210
Number of person(s)	<b>3</b>	2	<b>9</b>	9	<b>344</b>	246

Directors include one Executive Director (2007: 1). Chief Executives, Executive Director and Executives are also provided with company maintained cars in accordance with the terms of employment.

\* Executives mean employees, other than Chief Executives and Executive Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.



### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2008		2007	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
<b>36.1 On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	11,936,307	11,936,307	13,766,513	13,766,513
Balances with other banks	3,678,211	3,678,211	615,031	615,031
Lendings to financial institutions	295,396	295,396	4,112,429	4,112,429
Investments	47,967,206	47,328,211	35,277,864	35,198,591
Advances	100,217,408	100,217,408	79,240,057	79,240,057
Other assets	3,404,835	3,404,835	1,859,641	1,859,641
	<b>167,499,363</b>	<b>166,860,368</b>	134,871,535	134,792,262
<b>Liabilities</b>				
Bills payable	2,232,334	2,232,334	2,394,482	2,394,482
Borrowings	12,369,743	12,369,743	9,826,525	9,826,525
Deposits and other accounts	144,340,496	144,340,496	114,818,032	114,818,032
Sub-ordinated loan - TFCs	2,846,940	2,846,940	2,848,080	2,848,080
Liabilities against assets subject to finance lease	327,702	324,791	646,557	646,557
Other liabilities	1,943,094	1,915,178	1,309,516	1,309,516
	<b>164,060,309</b>	<b>164,029,482</b>	131,843,192	131,843,192
<b>36.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange contracts	7,661,905	7,661,905	7,620,287	7,620,287
Forward sale of foreign exchange contracts	5,470,527	5,470,527	6,525,727	6,525,727
Commitment to extend credit	1,595,670	1,595,670	1,049,410	1,049,410
Forward purchase of treasury bills	5,814,865	5,814,865	–	–

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 quoted investments is based on quoted market price. 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. In the opinion of Management, the fair value of remaining financial assets and liabilities are not significantly different from their book value since assets and liabilities are either short term in nature or frequently re-priced, except for fixed term advances of over one year, staff loans and fixed term deposits of over one year.

In the opinion of Management, the fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.



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

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

	2008					
	Retail Banking	Commercial Banking	Retail Brokerage	Advisory Service	Inter Segment Elimination	Total
	(Rupees in '000)					
Total income	9,181,897	12,953,314	75,699	671	(5,135,218)	17,076,363
Total expenses	(5,942,009)	(12,628,036)	(88,641)	(19,508)	5,135,218)	(13,542,976)
Net income	<u>3,239,888</u>	<u>325,248</u>	<u>(12,942)</u>	<u>(18,837)</u>	<u>-</u>	<u>3,533,387</u>
Segment Assets (net of provisions)	92,975,895	164,033,372	310,921	65,024	(80,055,283)	177,329,929
Segment Non Performing Loans (NPL)	32,941	829,609	-	-	-	862,550
Segment Provision Required against NPL	23,556	443,006	-	-	-	466,562
Segment Liabilities	91,677,630	153,640,316	308,696	79,906	(80,055,283)	165,651,265
Segment Return on :						
Assets (ROA) (%)	9.88%	7.90%	24.35%	1.03%	-	-
Segment Cost of funds (%)	6.48%	8.22%	28.71%	24.41%	-	-
	2007					
Total income	4,744,957	8,951,705	76,273	-	(1,651,595)	12,121,340
Total expenses	(3,193,878)	(7,467,601)	(62,848)	-	1,651,595)	(9,072,732)
Net income (loss)	<u>1,551,079</u>	<u>1,484,104</u>	<u>13,425</u>	<u>-</u>	<u>-</u>	<u>3,048,608</u>
Segment Assets (net of provisions)	43,949,165	119,552,905	374,102	-	(22,537,937)	141,338,235
Segment Non Performing Loans (NPL)	20,728	195,900	-	-	-	216,628
Segment Provision Required against NPL	20,028	202,290	-	-	-	222,318
Segment Liabilities	42,365,670	112,811,082	286,000	-	(22,537,937)	132,924,815
Segment Return on :						
Assets (ROA) (%)	10.80%	7.49%	20.39%	-	-	-
Segment Cost of funds (%)	7.54%	6.62%	21.97%	-	-	-

### 38. TRUST ACTIVITIES

The Bank provides services as a trustee to Dawood Money Market Fund. The market value of securities held by the Bank in safe custody on behalf of the Fund as on 30 June 2008 are Rs. 1,946.321million (2007: Rs.1,298.634 million).



### 39. RELATED PARTY TRANSACTIONS

Related parties comprises of major shareholders, associated companies with or without common directors, retirement benefit funds, directors and key management personnel and their close family members.

The Bank continues to have a policy whereby all transactions with related parties are entered into on arm's length prices using the comparable uncontrolled price method except dividends which have been approved in the Annual General Meeting.

The lending policy in case of related parties has been consistent with that of the Bank's overall credit policy and in line with the Prudential Regulations issued by the State Bank of Pakistan.

Transactions with related parties, other than those under the terms of employment, are summarized as follows:

	2008			Total
	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	
<b>Deposits</b>				
At beginning of the year	202,702	11,668	11,283	225,653
Received during the year	64,139,870	110,591	3,664,366	67,914,827
Repaid during the year	(63,770,035)	(118,416)	(3,630,939)	(67,519,390)
At end of the year	<u>572,537</u>	<u>3,843</u>	<u>44,710</u>	<u>621,090</u>
<b>Advances</b>				
At beginning of the year	135,143	91	2,600	137,834
Given during the year	969,758	1,154	3,996	974,908
Recovered during the year	(735,901)	(1,191)	(5,955)	(743,047)
At end of the year	<u>369,000</u>	<u>54</u>	<u>641</u>	<u>369,695</u>
Mark-up earned	39,047	7	38	39,092
Mark-up expensed	38,734	520	2,697	41,951
Bank charges and commission	1,109	2	14	1,125
Salaries and allowances	-	-	73,759	73,759
Bonus	-	-	16,252	16,252
Compensated absences	-	-	-	-
Contribution to defined contribution plan	-	-	2,840	2,840
Contribution to defined benefit plan	-	-	1,390	1,390
Staff provident fund	-	-	-	69,477
Staff gratuity fund	-	-	-	44,132
Directors' fee	-	960	-	960
Insurance claim received	63,560	-	-	63,560
Insurance premium paid	77,696	-	-	77,696
Dividend income	88,482	-	-	88,482
Commission income	969	-	-	969
Dividend paid	6,560	-	-	6,560



2007

	Associates	Non Executive Directors (Rupees in '000)	Key Management Personnel	Total
<b>Deposits</b>				
At beginning of the year	165,483	5,427	14,571	185,481
Received during the year	23,906,965	34,334	37,770	23,979,069
Repaid during the year	(23,869,746)	(28,093)	(41,058)	(23,938,897)
At end of the year	202,702	11,668	11,283	225,653
<b>Advances</b>				
At beginning of the year	247,615	–	10,906	258,521
Given during the year	728,478	1,586	9,273	739,337
Recovered during the year	(840,950)	(1,495)	(17,579)	(860,024)
At end of the year	135,143	91	2,600	137,834
Mark-up earned	27,375	18	881	28,274
Mark-up expensed	19,059	254	3,800	23,113
Bank charges and commission	1,675	14	303	1,992
Salaries and allowances	–	–	64,587	64,587
Bonus	–	–	10,898	10,898
Compensated absences	–	–	6,090	6,090
Contribution to defined contribution plan	–	–	2,505	2,505
Contribution to defined benefit plan	–	–	1,646	1,646
Staff provident fund	–	–	–	50,716
Staff gratuity fund	–	–	–	32,126
Directors' fee	–	710	–	710
Insurance claim received	4,071	–	–	4,071
Insurance premium paid	90,509	–	–	90,509
Dividend income	2,672	–	–	2,672
Commission income	813	–	–	813
Dividend paid	6,560	–	–	6,560

#### 40. CAPITAL ASSESSMENT AND ADEQUACY - BASEL II SPECIFIC

##### 40.1 Scope of application

Bank AL Habib Limited is the only Bank in the Group to which Basel II capital adequacy framework applies. The Bank has ownership in the following two subsidiaries, where the Bank holds more than 50% of voting shares:

Name	Type of entity	Country of incorporation
AL Habib Capital Markets (Private) Limited	Financial	Pakistan
AL Habib Financial Services Limited	Financial	United Arab Emirates

The financial statements of above subsidiaries are included in the consolidated financial statements

The Bank has ownership in the following two associated companies, where the Bank either holds more than 20% of voting shares or has common Directors on the Board:

Name	Type of entity	Country of incorporation
Habib Asset Management Limited	Financial	Pakistan
Habib Sugar Mills Limited	Commercial	Pakistan

Investment in above associates is accounted for under equity method of accounting in the consolidated financial statements.





## 40.2 Capital structure

The Bank's Tier I capital comprises paid-up capital, share premium, reserve for bonus shares, general reserves, and unappropriated profit. Paid-up capital comprises ordinary listed shares, either fully paid in cash or issued as bonus shares.

The Bank's Tier II capital includes subordinated long-term debt, general provisions, revaluation reserves, and exchange translation reserves. Subordinated long-term debt comprises two issues of listed, unsecured, and subordinated term finance certificates (TFCs), as detailed in note 17.

The Bank does not use any Tier III capital at present, which may include short-term, subordinated debt, solely for the purpose of meeting a portion of capital requirement for market risk.

	2008	2007
	(Rupees in '000)	
		Unaudited
<i>Tier I Capital</i>		
Shareholders Capital	4,785,388	3,681,068
Reserves	3,008,982	2,523,979
Unappropriated profits	2,047,596	1,788,270
Minority interest	101,397	104,870
Less: Adjustments for –		
Investments in subsidiaries and associates*	(50,941)	(42,920)
Intangible Assets	(58,704)	(57,230)
<b>Total Tier I Capital</b>	<b>9,833,718</b>	<b>7,998,037</b>
<i>Tier II Capital</i>		
Subordinated Debt (upto 50% of total Tier I Capital)	2,307,804	2,578,404
General Provisions subject to 1.25% of Total Risk Weighted Assets	738,791	35,977
Foreign Exchange Translation Reserve	70,096	3,970
Revaluation Reserve (upto 45%)	730,580	125,501
Less: Adjustments for –		
Investments in subsidiaries and associates*	(50,941)	(42,920)
<b>Total Tier II Capital</b>	<b>3,796,330</b>	<b>2,700,932</b>
Eligible Tier III Capital	–	–
<b>Total Regulatory Capital</b>	<b>13,630,048</b>	<b>10,698,969</b>

\* 50% deduction from Tier I capital and 50% deduction from Tier II capital as required by Basel II regulatory framework.



## 41 CAPITAL ADEQUACY

It is the Bank's policy that the level of capital maintained by it should be such that it maximizes the return to shareholders while providing sufficient buffer to absorb risks, including those from any unexpected events. Therefore, the Bank carefully monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum regulatory requirement. The capital adequacy assessment process will continue to be further improved and refined, keeping in view the guidelines of State Bank of Pakistan. The Bank has also sought the assistance of external consultants in this regard.

State Bank of Pakistan requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 9% of their risk weighted assets.

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

Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

Total regulatory capital should be at least 9% of risk-weighted assets, and the Bank's capital adequacy ratio is well over this requirement as shown below.

In addition, State Bank of Pakistan requires that the paid up capital of locally incorporated banks should be raised to Rs. 23 billion by 31 December 2013 in a phased manner. The Bank has been increasing its paid up share capital to comply with the aforesaid requirement.

The Bank has comfortably met its capital needs over the years, which indicates its ability to raise capital internally as well as in capital markets. The Bank intends to continue its focus on growth and profitability, while maintaining its usual prudent policies in the evolving market and economic conditions.

The Bank's exposure to and its management and control of risks is described in note 42. Stress testing is performed for various risks and their impact on capital adequacy ratio as per guidelines of State Bank of Pakistan.



The capital requirements for the Bank as per major risk categories are given below:

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	(Rupees in '000)			
		Unaudited		Unaudited
<b>Credit Risk</b>				
Sovereign	<b>173,606</b>	49,088	<b>1,928,955</b>	613,594
Public sector enterprises	<b>101,716</b>	100,617	<b>1,130,183</b>	1,257,711
Corporates	<b>7,607,323</b>	6,150,365	<b>84,525,813</b>	76,879,559
Banks	<b>310,812</b>	75,801	<b>3,453,471</b>	947,518
Retail	<b>326,543</b>	95,204	<b>3,628,259</b>	1,190,050
Residential mortgages	<b>26,673</b>	17,693	<b>296,369</b>	221,164
Equity exposures	<b>154,871</b>	148,660	<b>1,720,784</b>	1,858,245
Other assets	<b>1,145,255</b>	662,183	<b>12,725,050</b>	8,277,292
	<b>9,846,799</b>	7,299,611	<b>109,408,884</b>	91,245,133
<b>Market Risk</b>				
Interest rate risk	<b>7,297</b>	25,661	<b>81,078</b>	320,763
Foreign exchange risk	<b>8,006</b>	26,071	<b>88,956</b>	325,887
	<b>15,303</b>	51,732	<b>170,034</b>	646,650
<b>Operational Risk</b>	<b>1,004,859</b>	734,940	<b>11,165,097</b>	9,186,755
<b>Total</b>	<b>10,866,961</b>	8,086,283	<b>120,744,015</b>	101,078,538
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (Note: 40.2) (a)	<b>13,630,048</b>	10,698,969		
Total risk weighted assets (b)	<b>120,744,015</b>	101,078,538		
Capital Adequacy Ratio [(a) / (b) x 100]	<b>11.29%</b>	10.58%		

## 42. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and staff of the Bank. Risk management is accomplished through a formal structure which includes the Board of Directors, committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

### 42.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet. These exclude investments and treasury-related exposures, which are covered under market risk.

It is the Bank's policy that all credit exposures shall be adequately collateralized, except when specially exempted by State Bank of Pakistan as in case of personal loans and credit cards, and those at overseas branch where the accepted local banking practice is followed.



The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets, and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board; a well defined credit approval mechanism; prescribed documentation requirement; post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.

Counterparty exposure limits are approved in line with the State Bank of Pakistan's Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow-up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non-performing loans are classified and provided for as per Prudential Regulations.

Credit facilities, both fund based and non-fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub-sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralized set-up. Its main focus is on compliance with terms of sanction of credit facilities, compliance with Prudential Regulations and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark-up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of the State Bank of Pakistan. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock-in-trade, receivables, and machinery; mortgage of properties; shares and other marketable securities; government securities; government guarantees; bank guarantees; and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with Prudential Regulations of the State Bank of Pakistan. General provision on the consumer portfolio is also determined as per Prudential Regulations. Over and above the aforesaid, the Bank maintains additional general provision in line with its prudent policies. Particulars of provisions against advances are given in Note 11.5.

The Bank uses the Standardized Approach to calculate capital charge for credit risk as per Basel II regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non-performing loans (NPLs) and downward shift in NPL categories.

#### 42.1.1 **Credit Risk: General Disclosures - Basel II Specific**

All credit risk exposures of the Bank are subject to the Standardized Approach.



#### 42.1.2 Credit Risk: Disclosures on Portfolio Subject to Standardized Approach - Basel II Specific

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its local currency exposures and ratings issued by Moody's, S&P, and Fitch for its foreign currency exposures. These External Credit Assessments Institutions (ECAIs) have been approved by the State Bank of Pakistan. For foreign currency claims on sovereigns the Bank also uses risk scores of Export Credit Agencies (ECAs).

##### Types of Exposures and ECAIs Used – 2008

Types of Exposures	JCR-VIS (Local Currency)	PACRA (Local Currency)	Moody's, S&P, and Fitch (Foreign Currency)	ECA Score (Foreign Currency)
Corporates	X	X	-	-
Banks	X	X	X	-
Sovereigns	-	-	X	X
Small & Medium Enterprises	-	-	-	-
Securitizations	-	-	-	-
Others (public sector enterprises)	X	X	-	-

The Bank has not transferred public issue ratings onto comparable assets in the banking book in its calculations. ECAI ratings and ECA scores are aligned with risk buckets as determined by the State Bank of Pakistan.

Given below are the Bank's outstanding exposures (rated & unrated) in each risk bucket, deductions on account of credit risk mitigation, and net amount thereafter.

##### Credit Exposures Subject to Standardized Approach – 2008

Risk buckets	Amount Outstanding/ Credit Equivalent (Rated and Unrated)	CRM Deduction (Rupees in '000)	Net Amount
0%	60,290,578	-	60,290,578
20%	14,661,026	5,701,396	8,959,630
35%	846,769	-	846,769
50%	6,373,610	3,145,304	3,228,306
75%	9,085,879	4,260,690	4,825,189
100%	102,401,163	3,419,893	98,981,270
150%	2,070,850	-	2,070,850
	<u>195,729,875</u>	<u>16,527,283</u>	<u>179,202,592</u>

CRM: Credit Risk Mitigation



#### 42.1.3 Credit Risk: Disclosures on Credit Risk Mitigation for Standardized Approach – Basel II Specific

Eligible collaterals used by the Bank for credit risk mitigation are cash margins and cash deposits, government securities, financial guarantees, listed shares, and other listed, quoted or rated securities. The Bank requires perfection of collaterals by marking lien on cash margins and deposits, pledging of shares and other securities, and verifying the authenticity of guarantees received. Shares and securities including marketable government securities are taken at market value, and other government securities are taken at encashment value. Appropriate hair-cuts are applied as per Basel II regulatory framework. Among the mitigants used by the Bank, there is concentration in cash margins and cash deposits.

#### 42.1.4 Segment by class of business

2008

	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture / Agri business	2,335,836	2.30	573,568	0.40	416,181	1.02
Automobiles and Transportation						
Equipment	1,421,053	1.40	1,506,212	1.04	1,929,657	4.75
Cement	2,445,226	2.41	146,257	0.10	1,931,180	4.75
Chemicals / Pharmaceuticals	3,117,279	3.07	528,350	0.37	1,195,389	2.94
Commerce and Trade	8,668,116	8.55	5,852,460	4.05	4,577,534	11.26
Electronics and Electrical appliances	494,825	0.49	344,727	0.24	473,545	1.16
Fertilizers	1,416,687	1.40	1,598,281	1.11	3,394,004	8.35
Financial	2,547,247	2.51	5,092,962	3.53	8,930	0.02
Food and Allied	3,963,143	3.91	693,079	0.48	623,722	1.53
Ghee and Edible Oil	1,412,499	1.39	151,182	0.10	1,237,055	3.04
Individuals	2,845,665	2.81	88,502,984	61.29	13,141	0.03
Iron and Steel	3,069,628	3.03	1,009,285	0.70	3,151,841	7.75
Oil refinery / marketing	6,921,976	6.83	5,915,407	4.10	6,969,602	17.14
Paper and Board	621,163	0.61	139,641	0.10	252,083	0.62
Plastic products	457,227	0.45	126,542	0.09	565,552	1.39
Production and Transmission of Energy	3,968,564	3.91	1,747,807	1.21	1,731,814	4.26
Real estate / Construction	2,911,666	2.87	1,684,885	1.17	2,047,793	5.04
Services (other than financial)	1,029,738	1.02	2,631,355	1.82	640,519	1.58
Shoes and Leather garments	1,177,176	1.16	346,215	0.24	81,541	0.20
Sugar	2,372,210	2.34	533,795	0.37	109,251	0.27
Surgical Equipments	173,616	0.17	137,158	0.10	98,934	0.24
Textile	41,170,115	40.60	2,163,338	1.50	4,795,387	11.79
Spinning	21,664,039	21.36	882,819	0.61	2,322,376	5.71
Weaving	6,284,138	6.20	337,750	0.23	661,429	1.63
Composite	10,537,155	10.39	597,651	0.41	862,374	2.12
Ready-made Garments	2,684,783	2.65	345,118	0.25	949,208	2.33
Others	6,882,129	6.77	22,915,006	15.89	4,407,015	10.87
	<u>101,422,784</u>	<u>100.00</u>	<u>144,340,496</u>	<u>100.00</u>	<u>40,651,670</u>	<u>100.00</u>



2007

	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees	%	Rupees	%	Rupees	%
	in '000		in '000		in '000	
Agriculture / Agri business	1,906,789	2.40	936,906	0.82	456,196	0.94
Automobiles and Transportation						
Equipment	1,041,234	1.31	3,585,112	3.12	1,794,447	3.71
Cement	1,869,819	2.35	521,940	0.45	1,495,689	3.09
Chemicals / Pharmaceuticals	2,070,663	2.61	150,834	0.13	1,938,556	4.01
Commerce and Trade	5,958,484	7.50	2,238,184	1.95	6,019,980	12.45
Electronics and Electrical appliances	894,943	1.13	696,856	0.61	1,725,329	3.57
Fertilizers	755,365	0.95	1,750,818	1.52	595,467	1.23
Financial	1,294,139	1.63	1,350,854	1.18	–	–
Food and Allied	2,535,336	3.19	295,312	0.26	687,898	1.42
Ghee and Edible Oil	750,756	0.94	111,967	0.10	716,557	1.48
Individuals	2,577,546	3.24	71,906,721	62.63	497,403	1.03
Iron and Steel	1,983,686	2.50	806,470	0.70	2,339,026	4.84
Oil refinery / Marketing	1,801,563	2.27	9,196,620	8.01	9,231,494	19.09
Paper and Board	69,672	0.09	55,593	0.05	385,744	0.80
Plastic products	320,245	0.40	95,392	0.08	463,002	0.96
Production and Transmission of Energy	2,157,998	2.72	1,161,112	1.01	2,234,208	4.62
Real estate / Construction	2,214,185	2.79	1,353,144	1.18	2,033,740	4.20
Services (other than financial)	844,226	1.06	2,035,647	1.77	226,902	0.47
Shoes and Leather garments	1,049,115	1.32	128,470	0.11	93,810	0.19
Sugar	2,707,421	3.41	163,920	0.14	175,853	0.36
Surgical Equipments	162,607	0.20	109,968	0.10	81,547	0.17
Textile	32,990,093	41.52	1,483,582	1.29	9,717,072	20.10
Spinning	15,915,455	20.03	783,701	0.68	6,275,991	12.98
Weaving	5,687,009	7.16	211,521	0.18	1,067,699	2.21
Composite	9,584,847	12.06	431,287	0.38	1,886,307	3.90
Ready-made garments	1,802,782	2.27	57,073	0.05	487,075	1.01
Others	11,506,490	14.47	14,682,610	12.79	5,457,194	11.27
	<u>79,462,375</u>	<u>100.00</u>	<u>114,818,032</u>	<u>100.00</u>	<u>48,367,114</u>	<u>100.00</u>



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

	2008		2007	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Agriculture / Agri business	3,829	–	–	–
Automobiles and Transportation				
Equipment	1,622	1,274	6,656	3,672
Chemical / Pharmaceuticals	7,597	1,898	–	–
Commerce and Trade	133,466	117,397	12,117	10,374
Food and Allied	4,412	4,412	4,412	4,412
Financial	19,205	4,801	–	–
Ghee and Edible oil	2,075	2,075	2,594	1,297
Individuals	32,941	23,580	20,729	8,236
Plastic products	45,335	45,335	38,349	38,349
Real estate / Construction	40,472	39,574	43,675	37,969
Textile	285,953	200,638	84,365	78,934
Spinning	155,071	79,360	15,277	15,277
Weaving	–	–	828	828
Composite	125,217	115,613	52,001	51,867
Ready-made garments	5,665	5,665	16,259	10,962
Others	285,643	25,601	3,731	3,098
	<b>862,550</b>	<b>466,585</b>	<b>216,628</b>	<b>186,341</b>

#### 42.1.6 Segment by sector

	2008					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	8,215,303	8.10	19,622,537	13.59	8,629,665	21.23
Private	93,207,481	91.90	124,717,959	86.41	32,022,005	78.77
	<b>101,422,784</b>	<b>100.00</b>	<b>144,340,496</b>	<b>100.00</b>	<b>40,651,670</b>	<b>100.00</b>
	2007					
	Gross Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,854,668	3.59	11,849,211	10.32	10,940,929	23.12
Private	76,607,707	96.41	102,968,821	89.68	37,426,185	76.88
	<b>79,462,375</b>	<b>100.00</b>	<b>114,818,032</b>	<b>100.00</b>	<b>48,367,114</b>	<b>100.00</b>





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

	2008		2007	
	Classified Advances	Specific Provision held (Rupees in '000)	Classified Advances	Specific Provision held
Public / Government	–	–	–	–
Private	862,550	466,585	216,628	186,341
	<b>862,550</b>	<b>466,585</b>	<b>216,628</b>	<b>186,341</b>

#### 42.1.8 GEOGRAPHICAL SEGMENT ANALYSIS

	2008			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	3,487,980	173,104,055	11,327,741	40,099,356
Middle East	45,407	4,225,874	350,923	552,314
	<b>3,533,387</b>	<b>177,329,929</b>	<b>11,678,664</b>	<b>40,651,670</b>
	2007			
	Profit before taxation	Total assets employed (Rupees in '000)	Net assets employed	Contingencies and commitments
Pakistan	3,055,343	138,506,549	8,410,939	47,822,251
Middle East	(6,735)	2,831,686	2,481	544,863
	<b>3,048,608</b>	<b>141,338,235</b>	<b>8,413,420</b>	<b>48,367,114</b>

#### 42.2 Equity Position Risk in the Banking Book – Basel II Specific

The Bank's policy is to take equity positions for investment purposes and not to run a trading book for buying and selling of equities. Equity holdings include direct investment in shares and in equity-based mutual funds, both closed-end and open-end. Policies covering their valuation and accounting are disclosed in note 6.4.

Cumulative realized gain arising from disposal of equity holdings amounted to Rs. 11.981 million during 2008.



### 42.3 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book. As regards foreign exchange positions, the purpose is to serve the needs of clients. The Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board; approval of counterparty and dealer limits; specific senior management approval for each investment; and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income, in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO; the Settlements Department which confirms and settles the aforesaid deals; and the Middle Office which independently monitors and analyses the risks inherent in Treasury operations. Risk Management Committee of the Board provides supervision and guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, and shares and mutual funds; money market transactions; and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of State Bank of Pakistan.

The Bank uses the Standardized Approach to calculate capital charge for market risk as per Basel II regulatory framework. Details of capital charge for market risk are given in Note 41.

### 42.4 Foreign Exchange Risk

	<b>2008</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Off-balance sheet items</b>	<b>Net currency exposure</b>
	(Rupees in '000)			
Pakistan Rupee	160,819,479	147,201,984	(2,191,393)	11,426,102
United States Dollar	14,764,223	13,908,886	(271,290)	584,047
Great Britain Pound	646,895	1,910,977	1,039,922	(224,160)
Japanese Yen	68,327	2	(52,633)	15,692
Euro	909,917	2,520,982	1,475,394	(135,671)
Other currencies	121,088	108,434	-	12,654
	<b>177,329,929</b>	<b>165,651,265</b>	<b>-</b>	<b>11,678,664</b>
	<b>2007</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Off-balance sheet items</b>	<b>Net currency exposure</b>
	(Rupees in '000)			
Pakistan Rupee	125,876,883	116,796,225	(1,094,689)	7,985,969
United States Dollar	14,318,884	13,698,878	(141,657)	478,349
Great Britain Pound	336,629	1,524,958	1,151,709	(36,620)
Japanese Yen	22	6,115	6,107	14
Euro	740,462	831,356	77,462	(13,432)
Other currencies	65,355	67,283	1,068	(860)
	<b>141,338,235</b>	<b>132,924,815</b>	<b>-</b>	<b>8,413,420</b>



Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, and foreign currency placements with the State Bank of Pakistan and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by the State Bank of Pakistan as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

#### 42.5 **Equity Position Risk**

Equity position risk is the risk of loss from adverse movements in equity prices. The Bank's policy is to take equity positions for investment purposes and not to run a trading book for buying and selling of shares.

Equity position risk of the Bank is controlled through equity desk / dealer limits, broker limits, equity portfolio limits, future contracts limits, and Continuous Funding System (CFS) limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by the State Bank of Pakistan as well as the internal limits set by the Bank itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices.



#### 42.6 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

2008

	Effective Yield/ Interest Rate	Total	Exposed to Yield / Interest rate risk								Non interest bearing financial instruments	
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years		Over 10 years
(Rupees in '000)												
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks	0.90%	11,936,307	2,127,030	-	-	-	-	-	-	-	-	9,809,277
Balances with other banks	1.40%	3,678,211	2,567,897	-	-	2,500	-	-	-	-	-	1,107,814
Lendings to financial institutions	14.90%	295,396	295,396	-	-	-	-	-	-	-	-	-
Investments	13.03%	47,967,206	17,286,002	25,585,026	1,010,502	12,646	41,687	1,524,045	1,130,619	245,620	-	1,131,059
Advances - net	13.66%	100,217,408	20,200,262	22,204,434	14,136,617	19,377,373	1,780,205	3,980,534	7,381,882	3,023,382	1,246,353	6,886,366
Other assets	-	3,404,835	-	-	-	-	-	-	-	-	-	3,404,835
		167,499,363	42,476,587	47,789,460	15,147,119	19,392,519	1,821,892	5,504,579	8,512,501	3,269,002	1,246,353	22,339,351
Liabilities												
Bills payable	-	2,232,334	-	-	-	-	-	-	-	-	-	2,232,334
Borrowings	6.46%	12,369,743	1,250,727	6,816,641	2,694,692	86,785	162,720	173,008	821,378	363,792	-	-
Deposits and other accounts	6.68%	144,340,496	57,061,049	11,074,754	6,278,790	17,166,104	1,136,524	2,414,992	6,076,345	-	-	43,131,938
Sub-ordinated loan - TFCs	12.84%	2,846,940	270	1,499,100	-	270	540	540	1,346,220	-	-	-
Liabilities against assets subject to finance lease	11.88%	327,702	22,040	44,229	63,019	94,794	76,332	23,347	3,941	-	-	-
Other Liabilities	-	1,943,094	-	-	-	-	-	-	-	-	-	1,943,094
		164,060,309	58,334,086	19,434,724	9,036,501	17,347,953	1,376,116	2,611,887	8,247,884	363,792	-	47,307,366
On-balance sheet gap		3,439,054	(15,857,499)	28,354,736	6,110,618	2,044,566	445,776	2,892,692	264,617	2,905,210	1,246,353	(24,968,015)
Off-balance sheet financial instruments												
Forward purchase of foreign exchange contracts	-	7,661,905	4,167,330	1,524,438	1,475,280	494,857	-	-	-	-	-	-
Forward commitments to extend credit	-	1,595,670	732,880	351,630	224,000	224,870	62,290	-	-	-	-	-
Forward Purchase of Treasury Bills	-	5,814,865	5,814,865	-	-	-	-	-	-	-	-	-
		15,072,440	10,715,075	1,876,068	1,699,280	719,727	62,290	-	-	-	-	-
Forward sale of foreign exchange contracts	-	(5,470,527)	(3,611,246)	(854,286)	(1,004,995)	-	-	-	-	-	-	-
Off-balance sheet gap		9,601,913	7,103,829	1,021,782	694,285	719,727	62,290	-	-	-	-	-
Total yield / interest risk sensitivity gap		13,040,967	(8,753,670)	29,376,518	6,804,903	2,764,293	508,066	2,892,692	264,617	2,905,210	1,246,353	
Cumulative yield / interest risk sensitivity gap			(8,753,670)	20,622,848	27,427,751	30,192,044	30,700,110	33,592,802	33,857,419	36,762,629	38,008,982	

\* Savings deposits and treasurers' call deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



2007

	Effective Yield/ Interest Rate	Total	Exposed to Yield / Interest rate risk								Non interest bearing financial instruments	
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years		Over 10 years
(Rupees in '000)												
<b>On-balance sheet financial Instruments</b>												
<i>Assets</i>												
Cash and balances with treasury banks	4.23%	13,766,513	582,091	-	-	-	-	-	-	-	-	13,184,422
Balances with other banks	4.15%	615,031	372,473	-	-	2,500	-	-	-	-	-	240,058
Lendings to financial institutions	9.32%	4,112,429	2,388,446	1,723,983	-	-	-	-	-	-	-	-
Investments	9.16%	35,277,864	1,435,544	9,087,441	17,047,358	2,674,935	525,312	42,283	2,505,412	465,936	-	1,493,643
Advances - net	10.04%	79,240,057	37,230,220	11,718,689	8,434,798	1,602,543	1,960,726	2,258,327	6,811,866	2,719,332	431,790	6,071,766
Other assets	-	1,859,641	-	-	-	-	-	-	-	-	-	1,859,641
		134,871,535	42,008,774	22,530,113	25,482,156	4,279,978	2,486,038	2,300,610	9,317,278	3,185,268	431,790	22,849,530
<i>Liabilities</i>												
Bills payable	-	2,394,482	-	-	-	-	-	-	-	-	-	2,394,482
Borrowings	5.85%	9,826,525	2,077,069	3,978,056	2,153,765	372,574	212,443	205,695	175,116	639,954	-	11,853
Deposits and other accounts	6.32%	114,818,032	51,035,089	8,534,162	5,493,841	7,652,671	1,360,312	1,596,096	3,620,931	5,440	-	35,519,490
Sub-ordinated loan - TFCs	11.13%	2,848,080	270	1,499,700	-	270	540	540	1,080	1,345,680	-	-
Liabilities against assets subject to finance lease	11.51%	646,557	25,991	52,356	79,803	157,690	226,363	77,027	27,327	-	-	-
Other Liabilities	-	1,309,516	-	-	-	-	-	-	-	-	-	1,309,516
		131,843,192	53,138,419	14,064,274	7,727,409	8,183,205	1,799,658	1,879,358	3,824,454	1,991,074	-	39,235,341
<b>On-balance sheet gap</b>		<b>3,028,343</b>	<b>(11,129,645)</b>	<b>8,465,839</b>	<b>17,754,747</b>	<b>(3,903,227)</b>	<b>686,380</b>	<b>421,252</b>	<b>5,492,824</b>	<b>1,194,194</b>	<b>431,790</b>	<b>(16,385,811)</b>
<b>Off-balance sheet financial instruments</b>												
Forward purchase of foreign exchange contracts	-	7,620,287	1,206,903	2,932,920	2,586,220	868,763	25,481	-	-	-	-	-
Forward commitments to extend credit	-	1,049,410	101,960	110,000	160,000	220,000	457,450	-	-	-	-	-
Forward Purchase of Treasury Bills	-	-	-	-	-	-	-	-	-	-	-	-
		8,669,697	1,308,863	3,042,920	2,746,220	1,088,763	482,931	-	-	-	-	-
Forward sale of foreign exchange contracts	-	(6,525,727)	(4,952,581)	(1,173,716)	(391,390)	(8,040)	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>2,143,970</b>	<b>(3,643,718)</b>	<b>1,869,204</b>	<b>2,354,830</b>	<b>1,080,723</b>	<b>482,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total yield / interest risk sensitivity gap</b>		<b>5,172,313</b>	<b>(14,773,363)</b>	<b>10,335,043</b>	<b>20,109,577</b>	<b>(2,822,504)</b>	<b>1,169,311</b>	<b>421,252</b>	<b>5,492,824</b>	<b>1,194,194</b>	<b>431,790</b>	
<b>Cumulative yield / interest risk sensitivity gap</b>			<b>(14,773,363)</b>	<b>(4,438,320)</b>	<b>15,671,257</b>	<b>12,848,753</b>	<b>14,018,064</b>	<b>14,439,316</b>	<b>19,932,140</b>	<b>21,126,334</b>	<b>21,558,124</b>	

\* Savings deposits and treasurers' call deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.



#### 42.7 Yield / interest rate risk

Interest rate risk is the risk of loss from adverse movements in interest rates. The Asset Liability Management Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Bank's interest rate exposure is calculated by categorizing its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the Bank are controlled through dealer limits, counter-party exposure limits and (when necessary) type-of-instrument limits. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. In addition, stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

#### 42.8 Yield / Interest Rate Risk in the Banking Book – Basel II Specific

The Bank holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest-bearing financial instruments that are not held in the trading book of the Bank.

Repricing gap analysis presents the Bank's interest sensitive assets (ISA) and interest sensitive liabilities (ISL), categorized into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off-balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one-month time band, but these are not expected to be payable within a one-month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Bank reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

#### 42.9 Liquidity risk

Liquidity risk is the risk of loss to a Bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable losses.

Liquidity risk is managed through the liquidity risk policy approved by the Board; careful monitoring of daily liquidity position by the Treasury Division and the Middle Office; and regular review and monitoring of the liquidity position by the Asset and Liability Management Committee (ALCO). Risk Management Committee of the Board provides supervision and guidance in managing the Bank's liquidity risk.

Key elements of the Bank's liquidity risk management are as follows:



- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilisation of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating, as borrowing costs and ability to raise funds are directly affected by credit rating.
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

In short, the Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the marketplace. Stress testing for liquidity risk is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

#### 42.10 **Operational risk**

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

Operational risk is managed through the operational risk policy and audit policy approved by the Board, along with the policies on prevention of frauds and forgeries and compliance with "Know Your Customer" and "Anti Money Laundering" requirements; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Statement of Ethics & Business Practices, which is required to be signed by all employees.

Internal controls are an essential feature of risk reduction in operational risk management. The Bank has sought the assistance of external consultants to further improve the effectiveness and efficiency of its internal controls.

#### 42.11 **Operational Risk Disclosures – Basel II Specific**

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel II regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one-stop, full-service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures.



#### 43. MATURITIES OF ASSETS AND LIABILITIES

	2008									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
<i>Assets</i>										
Cash and balances with treasury banks	11,936,307	11,936,307	-	-	-	-	-	-	-	-
Balances with other banks	3,678,211	3,675,711	-	-	2,500	-	-	-	-	-
Lendings to financial institutions	295,396	295,396	-	-	-	-	-	-	-	-
Investments	47,967,206	15,531,141	24,832,861	505,962	391,134	619,338	1,928,569	2,065,940	1,120,847	971,414
Advances - net	100,217,408	23,674,222	23,341,322	14,634,508	20,646,160	2,289,045	3,980,534	7,381,882	3,023,382	1,246,353
Other assets	4,004,794	3,261,709	226,876	175,434	105,249	61,062	32,701	22,291	39,406	80,066
Operating fixed assets	9,230,607	52,288	232,068	279,031	318,786	480,851	411,642	509,525	1,886,762	5,059,654
	177,329,929	58,426,774	48,633,127	15,594,935	21,463,829	3,450,296	6,353,446	9,979,638	6,070,397	7,357,487
<i>Liabilities</i>										
Bills payable	2,232,334	2,232,334	-	-	-	-	-	-	-	-
Borrowings	12,369,743	1,250,727	6,816,641	2,694,692	86,785	162,720	173,008	821,378	363,792	-
Deposits and other accounts*	144,340,496	100,192,988	11,074,754	6,278,790	17,166,104	1,136,524	2,414,992	6,076,344	-	-
Sub-ordinated loans - TFCs	2,846,940	270	300	-	570	1,140	1,140	1,347,420	1,496,100	-
Liabilities against assets subject to finance lease	327,702	22,040	44,229	63,019	94,794	76,332	23,346	3,942	-	-
Other Liabilities	2,799,670	1,714,494	116,892	29,692	648,787	11,113	25,144	65,442	-	188,106
Deffered tax liabilities	734,380	-	-	-	(45,021)	(78,187)	(88,888)	567,455	71,636	307,385
	165,651,265	105,412,853	18,052,816	9,066,193	17,952,019	1,309,642	2,548,742	8,881,981	1,931,528	495,491
	11,678,664	(46,986,079)	30,580,311	6,528,742	3,511,810	2,140,654	3,804,704	1,097,657	4,138,869	6,861,996
<i>Net assets</i>										
Share capital	4,785,388									
Reserves	3,079,078									
Unappropriated profit	2,047,596									
Minority interest	101,397									
Surplus/(deficit) on revaluation of assets	1,665,205									
	11,678,664									

\* Savings deposits, treasurers' call and current deposits have been reported under one months maturity. However, they are not expected to be payable within one month period.





2007

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
<i>Assets</i>										
Cash and balances with treasury banks	13,766,513	13,766,513	-	-	-	-	-	-	-	-
Balances with other banks	615,031	612,531	-	-	2,500	-	-	-	-	-
Lendings to financial institutions	4,112,429	2,388,446	1,723,983	-	-	-	-	-	-	-
Investments	35,277,864	3,320	8,561,931	16,666,210	2,763,714	900,657	446,285	3,258,656	1,692,022	985,069
Advances - net	79,240,057	12,170,391	17,599,697	17,201,190	17,833,311	2,178,286	2,293,925	6,811,866	2,719,332	432,059
Other assets	2,473,693	1,686,323	330,890	152,139	102,485	53,217	21,772	19,651	63,737	43,479
Operating fixed assets	5,852,648	47,883	239,293	480,414	200,051	453,711	377,355	348,289	608,410	3,097,242
	141,338,235	30,675,407	28,455,794	34,499,953	20,902,061	3,585,871	3,139,337	10,438,462	5,083,501	4,557,849
<i>Liabilities</i>										
Bills payable	2,394,482	2,394,482	-	-	-	-	-	-	-	-
Borrowings	9,826,525	2,088,922	3,978,056	2,153,765	372,574	212,443	205,695	175,116	639,954	-
Deposits and other accounts*	114,818,032	86,554,579	8,534,162	5,493,841	7,652,671	1,360,312	1,596,096	3,620,930	5,441	-
Sub-ordinated loans - TFCs	2,848,080	270	300	-	570	1,140	1,140	2,280	2,842,380	-
Liabilities against assets subject to finance lease	646,557	25,993	52,356	79,803	157,690	226,363	77,027	27,325	-	-
Other Liabilities	1,830,648	1,394,327	2,807	-	222,762	-	-	162,087	48,665	-
Defferred tax liabilities	560,491	-	-	-	3,902	3,352	61,516	84,390	107,788	299,543
	132,924,815	92,458,573	12,567,681	7,727,409	8,410,169	1,803,610	1,941,474	4,072,128	3,644,228	299,543
	8,413,420	(61,783,166)	15,888,113	26,772,544	12,491,892	1,782,261	1,197,863	6,366,334	1,439,273	4,258,306
<i>Net assets</i>										
Share capital	3,681,068									
Reserves	2,527,949									
Unappropriated profit	1,788,270									
Minority interest	104,870									
Surplus/(deficit) on revaluation of assets	311,263									
	8,413,420									

\* Savings deposits, treasurers' call and current deposits have been reported under one months maturity. However, they are not expected to be payable within one month period.



#### 44. ISLAMIC BANKING BUSINESS

The Bank is operating with four Islamic Banking branches as on 31 December 2008 (2007: 04). The financial position and results of operations of Islamic Banking business of the Bank is given below.

44.1 The Balance sheet of Islamic Banking business as on 31 December 2008 is as follows:

	2008	2007
	(Rupees in 000)	
<b>ASSETS</b>		
Cash and balance with treasury banks	92,335	93,520
Balances with and due from financial institutions	100,027	15
Investments	477,295	375,875
Financing and receivables		
– Murabaha	743,719	1,007,878
– Ijara	556,290	639,852
– Diminishing Musharika	427,648	233,423
Other assets	119,946	191,994
	<b>2,517,260</b>	<b>2,542,557</b>
<b>LIABILITIES</b>		
Bills payable	8,160	6,799
Deposits and other accounts		
– Current accounts	330,773	121,998
– Saving accounts	379,896	105,238
– Term deposits	777,459	558,221
– Other	360	–
– Deposits from financial institutions - remunerative	528,517	243
– Deposits from financial institutions - non remunerative	504	50,025
Due to Head Office	–	1,322,230
Other liabilities	161,306	88,233
	<b>2,186,975</b>	<b>2,252,987</b>
<b>NET ASSETS</b>	<b>330,285</b>	<b>289,570</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	250,000	250,000
Reserves	–	–
Unremitted profit	77,990	38,695
	<b>327,990</b>	<b>288,695</b>
Surplus on revaluation of assets	2,295	875
	<b>330,285</b>	<b>289,570</b>
Remuneration to Shariah Advisor / Board	914	1,015
<b>CHARITY FUND</b>		
Opening balance	14	–
Additions during the period	402	14
Payments / utilisation during the period	(12)	–
Closing balance	404	14



44.2 Profit and loss account of Islamic Banking Business for the year ended 31 December 2008 is as follows:

	2008	2007
	(Rupees in '000)	
Mark-up /return/interest earned	<b>260,853</b>	151,463
Mark-up/return/interest expensed	<b>(141,805)</b>	(81,690)
Net mark-up/return/interest income	<b>119,048</b>	69,773
Provision against non-performing loans and advances - net		
- Specific provision	-	-
- General provision against consumer loans (as per SBP regulations)	-	-
- General provision	-	-
Provision for diminution in the value of available for sale investment	-	-
Bad debts written-off directly	-	-
Net mark-up/return/interest income after provisions	<b>119,048</b>	69,773
<b>NON MARK-UP/INTEREST INCOME</b>		
Fees, commission and brokerage income	<b>7,196</b>	5,221
Dividend income	-	-
Income from dealing in foreign currencies	-	-
Gain on sale of securities	-	-
Unrealised gain on sale of securities classified as held for trading	-	-
Other income	-	-
Total non mark-up/interest income	<b>7,196</b>	5,221
	<b>126,244</b>	74,994
<b>NON MARK-UP/INTEREST EXPENSES</b>		
Administrative expenses	<b>(48,254)</b>	(36,299)
Other provisions / assets written-off	-	-
Other charges	-	-
Total non mark-up/interest expenses	<b>(48,254)</b>	(36,299)
Extra-ordinary/unusual items	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>77,990</b>	38,695



## 45. ACCOUNTING ESTIMATES AND JUDGMENTS

### Held to maturity investments

The Group has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

### Investments stated at fair value

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgement (e.g. evaluation, interest rate, etc.) and therefore, cannot be determined with precision.

### Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques.

### Impairment of available for sale equity investments

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the State Bank of Pakistan BSD Circular Letter No. 2 dated 27 January 2009.

### Provision against non-performing loans and advances

The Group reviews its loan portfolios to assess amount of non-performing loans and advances and provision required there against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows, the general provision requirement set out in Prudential Regulations. The Bank also maintain general provision against total loans and advance.

### Operating fixed assets, depreciation and amortization

The Group carries its land and buildings at their respective fair values. The fair values are determined by independent valuation experts and such valuations are carried out with sufficient regularity. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The residual values and method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".



## **Income taxes**

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

During 2007, a new schedule was introduced for taxation for banks in Pakistan and this schedule would be applicable for taxation of Bank's income for the year ended 31 December 2008. According to the provisions of this schedule, provision for doubtful loans and advances falling under the category of "doubtful" or loss were to be allowed as a deduction in the year in which the provision is made. However, through amendments in Finance Act, the allowance for bad debts has been restricted to actual write offs. In case of consumer advances provision equivalent to 3% of consumer revenue would continue to apply. The schedule does not contain transitory provisions with respect to leases and other provisions treated differently before the applicability of the new schedule. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on discussions to date the Bank's management is confident that such provisions will be made in the new schedule. Accordingly, the deferred tax calculations assume that such transitory rules will be made and the Bank would be able to get the benefit of the asset so recognised.

## **Retirement benefits**

The Bank contributes to the staff gratuity fund on the basis of actuarial valuation which takes into account certain assumptions regarding interest rate, increase in salary and inflation rate etc. Any change in these estimates in future years might effect the Bank's liability with corresponding effect on the charge for the retirement benefit plan.

## **46. GENERAL**

### **Comparatives**

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

## **47. DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue in the Board of Directors' meeting held on February 25, 2009.

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

IMTIAZ ALAM HANFI  
*Director*



Annexure-1

**Statement showing written-off loans or any other financial relief  
of five hundred thousand rupees or above provided  
during the year ended 31, December 2008**

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Raza Hussain 15 Mehrab Market Kachi Gali No. 1, Opposite Marriot Road, Karachi.	Raza Hussain (CNIC No. 42201-3175512-1)	Akbar Ali	1,000	152	-	1,152	606	176	-	782
2.	AMFABS (Private) Limited 16 KM, Ferozpur Road, Lahore.	Mr. Fazal-e-Majid (CNIC No. 35201-3617370-9)  Syeda Qaisera Majid (CNIC No. 35201-8573640-2)	Nazir Ahmed Chaudhry  Mr. Fazal-e-Majid	10,594	545	-	11,139	149	545	-	694
			Total	11,594	697	-	12,291	755	721	-	1,476

Note 1: The amount of principal written off was against the specific provision held by the Bank.

Note 2: Interest / mark-up written off was against suspended mark-up.



## Report of Shariah Advisor

We have examined, on test check basis, each class of transaction, the relevant documentation and procedures adopted by Islamic Banking Branches / Division of Bank AL Habib Limited (IBB-BAHL), and we hereby report, for the year ended December 31, 2008, that in our opinion:

- (a) the affairs of IBB-BAHL have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as with specific fatawa and rulings issued by the Shariah Advisor from time to time;
- (b) the allocation of funds, weightages, profit sharing ratios, profits and charging of losses, if any, relating to PLS accounts conform to the basis vetted by the Shariah Advisor in accordance with Shariah rules and principles; and
- (c) any earnings that have been realized from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

Karachi: February 25, 2009

ISMATULLAH  
*Shariah Advisor*  
Islamic Banking Division



## Branch Network

### KARACHI

#### 1 MAIN BRANCH

Mackinnons Building, I.I. Chundrigar Road.  
Phones : (92-21) 2412986 & 111-786-110  
Fax : (92-21) 2412028

#### 2 CLOTH MARKET BRANCH

Ground Floor, Lotus Manzil, BR-2,  
New Neham Road, Cloth Market.  
Phones : (92-21) 2401301-4  
Fax : (92-21) 2401300

#### 3 JODIA BAZAR BRANCH

MR-1/16, Ram Bharti Street,  
Market Quarter, Jodia Bazar.  
Phones : (92-21) 2446451-5  
Fax : (92-21) 2473390

#### 4 NORTH NAPIER ROAD BRANCH

2-A, Ground Floor, Yousufi Manzil,  
North Napier Road.  
Phones : (92-21) 2731496, 2771321 & 2771218  
Fax : (92-21) 2771187

#### 5 NEW CHALLI BRANCH

Haji Adam Chambers,  
Altaf Hussain Road.  
Phones : (92-21) 2410526, 2410876 & 2410917  
Fax : (92-21) 2411048

#### 6 PAKISTAN CHOWK BRANCH

Shop No. 1, Chandna Manzil,  
Kutchery Road.  
Phones : (92-21) 2212352-54  
Fax : (92-21) 2212350

#### 7 KEAMARI BRANCH

Plot No. 20, Locality No. II,  
Group Jungle Shah.  
Phones : (92-21) 2859723-26  
Fax : (92-21) 2859727

#### 8 KARACHI STOCK EXCHANGE BRANCH

Room No. 4-6, Stock Exchange Building,  
Stock Exchange Road.  
Phones : (92-21) 2401516-19  
Fax : (92-21) 2401520

#### 9 KHARADAR BRANCH

Shop No. 7 & 8 Hemani Centre,  
Ghulam Hussain Kassim Quarters.  
Phones : (92-21) 2205572-74  
Fax : (92-21) 2205575

#### 10 NAYABAD BRANCH

Plot No. 121, Nayabad, Lyari Quarter,  
Shah Waliullah Road.  
Phones : (92-21) 2514854-55, 2513953  
Fax : (92-21) 2513445

#### 11 LEA MARKET BRANCH

Shop No. 1, Plot No. N.P 6/30-31,  
Zulikha Mansion, Napier Town Quarters.  
Phones : (92-21) 2540846-47, 2520684  
Fax : (92-21) 2540848

#### 12 BOULTON MARKET BRANCH

Plot No. 2/2, Lotia House Building,  
M.A. Jinnah Road.  
Phones : (92-21) 2419805-07, 2419893  
Fax : (92-21) 2419802

#### 13 TIMBER MARKET BRANCH

Plot No. E-III-2, S-34, Siddiq Wahab Road,  
Phones : (92-21) 2762776, 2762778 & 2762784  
Fax : (92-21) 2762730

#### 14 STEEL MARKET BRANCH

Plot No. 5, Shop No. 6 & 7,  
Ranchore Quarters,  
Baba-e-Urdu Road.  
Phones : (92-21) 2732061, 2737367-68  
Fax : (92-21) 2731798

#### 15 BOHRA PIR BRANCH

Plot No. 5/7, Tota Ram Building,  
Ranchore Quarters, Karachi.  
Phones : (92-21) 2745713-14, 2745540-41  
Fax : (92-21) 2745821

#### 16 M. A. JINNAH ROAD BRANCH

Godrej Kandawalla Building,  
M. A. Jinnah Road.  
Phones : (92-21) 2228494, 2228458  
Fax : (92-21) 2228450

#### 17 EIDGAH BRANCH

Plot No. 57, Shop No. 18, Jahangir Mansion  
M.A. Jinnah Road.  
Phones : (92-21) 2771204, 2771235  
Fax : (92-21) 2771195

#### 18 SADDAR BRANCH

Saddar Bazar Shop No. 4-6,  
Bukhara Centre, Raja Ghazanfar Ali Khan  
Road, Saddar.  
Phones : (92-21) 5658032-35  
Fax : (92-21) 5658030

#### 19 REGAL CHOWK BRANCH

Preedy Street, Saddar.  
Phones : (92-21) 2700929-32  
Fax : (92-21) 2700934

#### 20 SOLDIER BAZAR BRANCH

Plot No. 17/I, Sol-B-2, Soldier Bazar.  
Phones : (92-21) 2241711-5  
Fax : (92-21) 2241716

#### 21 GARDEN BRANCH

Nishtar Road, Plot No. 281  
Shop No. 1, Green Garden, Garden West.  
Phones : (92-21) 2241530-33  
Fax : (92-21) 2241535

#### 22 FATIMA JINNAH COLONY BRANCH

6, Ruby Appartments, Jamshed Quarters,  
Phones : (92-21) 4854529, 4854548  
Fax : (92-21) 4854542

#### 23 P.I.B. COLONY BRANCH

Plot No. 286, P.I.B. Colony.  
Phones : (92-21) 4134352, 4134356-57  
Fax : (92-21) 4134349

#### 24 ALLAMA IQBAL ROAD BRANCH

86-S, Block-2, Raja Terrace,  
P.E.C.H.S.  
Phones : (92-21) 4384661-4  
Fax : (92-21) 4384665

#### 25 TARIQ ROAD BRANCH

Shop No. 1 & 2, Plot No. 277-278  
Ahmed Chamber, Main Tariq Road,  
P.E.C.H.S.  
Phones : (92-21) 4397631-34  
Fax : (92-21) 4397635

#### 26 BAHADURABAD BRANCH

Central Commercial Area, B.C.H.S.,  
Bahadurabad.  
Phones : (92-21) 4915803-5  
Fax : (92-21) 4915802

#### 27 MUHAMMAD ALI HOUSING SOCIETY BRANCH

Block No. 7 & 8, Plot No. Z-130-131,  
Kathiawar Co-Operative Housing Society,  
Adamjee Nagar, Karachi.  
Phones : (92-21) 4533620-22  
Fax : (92-21) 4533618

#### 28 DHORAJI COLONY BRANCH

Plot No. 35/354, Block 7 & 8,  
C.P. & Berar Cop. Housing Society,  
Phones : (92-21) 4860881-84  
Fax : (92-21) 4860885

#### 29 SHAHRAH-E-FAISAL BRANCH

19-1-A, Block 6, P.E.C.H.S.,  
Shahrah-e-Faisal.  
Phones : (92-21) 4544383-87  
Fax : (92-21) 4530143

#### 30 CITI TOWERS BRANCH

Plot No. 33-A, Citi Towers, Block-6,  
P.E.C.H.S. Main Shara-e-Faisal.  
Phones : (92-21) 4373150-53  
Fax : (92-21) 4373154

Registered Office and Head Office  
126-C, Old Bahawalpur Road, Multan. Phones: (92-61) 4580314-16, & 111-786-110  
Fax: (92-61) 4582471





## Branch Network

- 31 BALOCH COLONY BRANCH**  
Plot No. SA/14, Block-3,  
Karachi Administration Co. Housing  
Society.  
Phones: (92-21) 4301202-05  
Fax : (92-21) 4301206
- 32 SHAH FAISAL COLONY BRANCH**  
Plot No. H-6 & H-7, Block-4,  
Shah Faisal Colony.  
Phones: (92-21) 4604583-84-86-87  
Fax : (92-21) 4604588
- 33 MALIR HALT BRANCH**  
Plot No. 157, Malir Halt,  
Opp. Malir Halt Railway Station,  
Shahrah-e-Faisal.  
Phones: (92-21) 4599591-3 & 4599611  
Fax : (92-21) 4599613
- 34 MALIR CITY BRANCH**  
Plot No. G/1-278/9-VIII C13,  
Malir City.  
Phones: (92-21) 4117432-34  
Fax : (92-21) 4117435
- 35 MALIR CANTT. BRANCH**  
158, Block-C, Bazar Area,  
Malir Cantt.  
Phones: (92-21) 4491701-04  
Fax : (92-21) 4491705
- 36 MODEL COLONY BRANCH**  
Plot No. 117, Model Colony, Malir.  
Phones: (92-21) 4492085-87  
Fax : (92-21) 4117735
- 37 MEMON GOTH BRANCH**  
Plot No. 485, Memon Goth,  
Malir Gadap Town.  
Phones: (92-21) 4562415-18  
Fax : (92-21) 4562419
- 38 SAUDABAD BRANCH**  
Plot No. LS-35, Sub Sector Street-32,  
Sector No. 4, Liaquat Market,  
Malir Colony.  
Phones: (92-21) 4117772-75  
Fax : (92-21) 4117776
- 39 LANDHI BRANCH**  
Plot No. C-4/A, Scheme No. 3,  
Landhi Town Ship.  
Phones: (92-21) 5028991-95  
Fax : (92-21) 5028996
- 40 GULSHAN-E-HADEED BRANCH**  
Plot No. C-29, Phase-I, Bin Qasim.  
Phones: (92-21) 4717475, 4721502-04  
Fax : (92-21) 4712604
- 41 PORT QASIM BRANCH**  
Plot No. CP-2/14, Commercial Area,  
Port Qasim Authority.  
Phones: (92-21) 4720273-78  
Fax : (92-21) 4720275
- 42 PAKISTAN STEEL MILLS BRANCH**  
Pipri Bin Qasim.  
Phones: (92-21) 4750617-4200666  
Fax : (92-21) 4750618
- 43 CLIFTON BRANCH**  
Shaheen Centre, Block-7, K.D.A.  
Scheme No. 5, Clifton.  
Phones: (92-21) 5821882-4  
Fax : (92-21) 5821885
- 44 ZAMZAMA BRANCH**  
16-C, Commercial Lane 3, Phase V,  
Zamzama Boulevard, D.H.A.  
Phones: (92-21) 5302230-37  
Fax : (92-21) 5302223
- 45 KHAYABAN-E-SHAMSHEER BRANCH**  
Plot No. 2-C, Stadium Lane No. 4,  
Phase V, Defence Housing Authority.  
Phones: (92-21) 5846277-79  
Fax : (92-21) 5846179
- 46 KHAYABAN-E-HAFIZ BRANCH**  
Plot No. 23-C, Shehbaz Lane No. 1,  
Phase-VI, Pakistan  
Defence Housing Authority.  
Phones: (92-21) 5340513, 5340175  
Fax : (92-21) 5341043
- 47 KHAYABAN-E-RAHAT BRANCH**  
Plot No. 14-C, Lane-3, Phase VI, DHA.  
Phones: (92-21) 5349787-89, 5349779  
Fax : (92-21) 5349778
- 48 BADAR COMMERCIAL AREA BRANCH**  
Plot No. 7-C, Street No. 1, Phase V,  
Defence Housing Authority.  
Phones: (92-21) 5245402-05  
Fax : (92-21) 5245406
- 49 BILAWAL CHOWK BRANCH**  
Shop No. C1 & 2, Beach Blessing  
Block-2, KDA Scheme No. 5, Clifton.  
Phones: (92-21) 5877901-04  
Fax : (92-21) 5877906
- 50 SEA VIEW BRANCH**  
Plot No. 17, Block-IV, KDA Scheme 5,  
Opp Dolmen City Centre, Clifton.  
Phones: (92-21) 5309883-6  
Fax : (92-21) 5309882
- 51 KHAYABAN-E-ITTEHAD BRANCH**  
Plot No. C-28/C-30, Ittehad Commercial  
Lane-12, DHA Phase-II Ext.  
Phones: (92-21) 5313793-96  
Fax : (92-21) 5313792
- 52 GIZRI BRANCH**  
Plot No. 1, Shop No. 10,  
Mustafa Centre, Upper Gizri.  
Phones: (92-21) 5831862-3, 5831866  
Fax : (92-21) 5831941
- 53 DEHLI COLONY BRANCH**  
Plot No. A-20/5, Shop No. 4 & 5,  
Bazar Area, Delhi Colony Clifton.  
Phones: (92-21) 5364993-6  
Fax : (92-21) 5364997
- 54 9TH COMMERCIAL STREET BRANCH**  
Plot No. 113, Phase IV,  
9th Commercial Street,  
Defence Housing Authority.  
Phones: (92-21) 5397781-4  
Fax : (92-21) 5397785
- 55 MEHMOODABAD BRANCH**  
Plot No. 545, Survey No. 692, MAC-II,  
Mehmoodabad No. 3.  
Phones: (92-21) 5392291-94  
Fax : (92-21) 5392295
- 56 KORANGI ROAD BRANCH**  
Speedy Towers Plot No. 131/1  
Phase-I, Defence Housing Authority.  
Phones: (92-21) 5386797-99  
Fax : (92-21) 5386796
- 57 KORANGI INDUSTRIAL AREA BRANCH**  
Plot No. ST 2/2, Sector-23,  
Korangi Town Ship.  
Phones: (92-21) 5114992-5  
Fax : (92-21) 5114996
- 58 S.I.T.E., BRANCH**  
B/76, S. S. Chambers, S.I.T.E.,  
Phones: (92-21) 2571710 -11 & 2571521  
Fax : (92-21) 2571522
- 59 METROVILLE BRANCH**  
Plot No. E-8, Block-1,  
S.I.T.E., Metroville-1.  
Phones: (92-21) 6750370-73  
Fax : (92-21) 6751215
- 60 ORANGI TOWN BRANCH**  
Plot No. 15 & 16, Sector 6/E,  
Orangi Township.  
Phones: (92-21) 6699291-6661309  
Fax : (92-21) 6657854
- 61 SAEEDABAD BRANCH**  
Plot No. 602/1, Sector No. 5-J,  
Saeedabad, Baldia Township.  
Phones: (92-21) 2891687-88, 2891690-91  
Fax : (92-21) 2890343
- 62 SHERSHAH BRANCH**  
Shop No. 27-30, Plot No. D-283,  
Shershah, S.I.T.E. Area.  
Phones: (92-21) 2586241-44  
Fax : (92-21) 2586246
- 63 RIZVIA SOCIETY BRANCH**  
D-9, Ishrat Arcade, Rizvia Co-operative  
Housing Society, Nazimabad.  
Phones: (92-21) 6607992-95  
Fax : (92-21) 6607996
- 64 GOLE MARKET BRANCH**  
Plot No. 1, Block-III,  
Mecca Tower, Nazimabad.  
Phones: (92-21) 6708602-05  
Fax : (92-21) 6708606



## Branch Network

### 65 PAPOSH NAGAR BRANCH

Plot No. 16, Block-V, Nazimabad.  
Phones: (92-21) 6708791-94  
Fax : (92-21) 6708795

### 66 HADI MARKET BRANCH

Plot No. C-3, Shop B-1/GS-12-15, Al-Badar Square, Block-IV, Nazimabad No. 4.  
Phones: (92-21) 6707457-60  
Fax : (92-21) 6707461

### 67 BARKAT-E-HYDARI BRANCH

Al-Burhan Arcade, Block-E, North Nazimabad.  
Phones: (92-21) 6670115, 6631793-94  
Fax : (92-21) 6670116

### 68 BLOCK-G NORTH NAZIMABAD BRANCH

Plot No. SD-6, Saima Flowers, Block-G, Scheme No. 2, North Nazimabad.  
Phones: (92-21) 6706602-05  
Fax : (92-21) 6706606

### 69 BLOCK-L NORTH NAZIMABAD BRANCH

Plot No. SC-4, Block-L, K.D.A., Scheme No. 2, North Nazimabad.  
Phones: (92-21) 6706456-59  
Fax : (92-21) 6706460

### 70 BUFFER ZONE BRANCH

Plot No. FL-5, Sector 15-A-1, Haroon Shopping Emporium, North Karachi Township.  
Phones: (92-21) 6960243-44, 6960298-99  
Fax : (92-21) 6960285

### 71 SINDHI HOTEL BRANCH

Plot No.158/16 & 18, Sector 5-E, North Karachi Township.  
Phones: (92-21) 6990407, 6990036, 6990106  
Fax : (92-21) 6990425

### 72 NORTH KARACHI INDUSTRIAL AREA BRANCH

Nimra Corner, ST-3, Sector 12-A, North Karachi.  
Phones: (92-21) 6954196-98  
Fax : (92-21) 6954187

### 73 U.P. MORE BRANCH

Plot No. L-1, Sector No. 11-B, North Karachi Town Ship.  
Phone : (92-21) 6956534, 6956523  
Fax : (92-21) 6956727

### 74 WATER PUMP BRANCH

C-21, Block-13, Federal "B" Area, Shahrah-e-Pakistan.  
Phones: (92-21) 6369125, 6369114-15  
Fax : (92-21) 6369216

### 75 HUSSAINABAD BRANCH

Plot No. R-481, Block-2, KDA Scheme No.16, F.B. Area.  
Phone : (92-21) 6806791-93  
Fax : (92-21) 6806794

### 76 FEDERAL 'B' AREA BRANCH

ST. 4/A-2, Block-20, Al-Noor Society, F.B. Area.  
Phones: (92-21) 6345611, 6345651  
Fax : (92-21) 6349879

### 77 DASTAGIR COLONY BRANCH

Plot No. R-202, Block-15, KDA Scheme No. 16, F.B. Area.  
Phones: (92-21) 6806382-85  
Fax : (92-21) 6370715

### 78 LIAQUATABAD BRANCH

Plot No. 1 & 2, Shop No. 2 & 3 Block No. 3, Liaquatabad Township.  
Phones: (92-21) 4132312, 4133160  
Fax : (92-21) 4133479

### 79 HASSAN SQUARE BRANCH

Plot No. A-12, Shop No. A-1, Rehman Square, Block 13-D, Sir Shah M. Suleman Road, Gulshan-e-Iqbal.  
Phones: (92-21) 4827703-04  
Fax : (92-21) 4827706

### 80 AL-HILAL CO.H.S. BRANCH

Opposite Askari Park, K.D.A. Scheme No. 7.  
Phones: (92-21) 4860832-35  
Fax : (92-21) 4860836

### 81 GULSHAN-E-IQBAL BRANCH

B-39, Al-Shams Centre, Block 13-A, University Road, Gulshan-e-Iqbal.  
Phones: (92-21) 4989162-63  
Fax : (92-21) 4989164

### 82 GULSHAN CHOWRANGI BRANCH

Plot No. FL-3, Block No. 3, KDA Scheme No. 24, Gulshan-e-Iqbal.  
Phones: (92-21) 4811971-3  
Fax : (92-21) 4985045

### 83 GULSHAN BLOCK-1 BRANCH

Plot No. SB-11, Jameel Arcade, Block 1, Gulshan-e-Iqbal, K.D.A., Scheme 24.  
Phones: (92-21) 4967753, 4800645-46  
Fax : (92-21) 4968694

### 84 GULISTAN-E-JAUHAR BRANCH

Shahlimar Shopping Centre, Block-17, Gulistan-e-Jauhar.  
Phones: (92-21) 4010921-22, 4010961  
Fax : (92-21) 4010911

### 85 FORT CORNER BRANCH

Plot No. SB-36, Fort Corner Shopping Mall, Block-14, Gulistan-e-Jauhar.  
Phones: (92-21) 4661061-65  
Fax : (92-21) 4661060

### 86 UNIVERSITY ROAD BRANCH

SB-13, Sobia Pride, Block-1, Scheme 36, Gulistan-e-Johar, Opp. N.E.D. University.  
Phones: (92-21) 4029612-15  
Fax : (92-21) 4029610

### 87 ABUL HASSAN ISPAHANI ROAD BRANCH

Chapal Garden, Abul Hassan Isphahani Road.  
Phones: (92-21) 4657593-96  
Fax : (92-21) 4657597

### 88 CENTRUM SHOPPING MALL BRANCH

Plot No. LA-1, Block-21, Rashid Minhas Road, F.B. Area.  
Phones : (92-21) 6821405-08  
Fax : (92-21) 6821349

### 89 GULSHAN-E-MAYMAR BRANCH

Plot No. SB-10, Sector Z, Sub Sector IV, KDA Scheme-45, Gulshan-e-Maymar.  
Phones : (92-21) 6832880-83  
Fax : (92-21) 6832879

### 90 NEW SABZI MANDI BRANCH

Administration Block, New Sabzi Mandi Super Highway.  
Phones : (92-21) 6870841, 6870843, 6870740  
Fax : (92-21) 6870844

### 91 EXPORT PROCESSING ZONE BRANCH

W/1, & 2 Sector B-III, Export Processing Zone, Landhi Industrial Area.  
Phones : (92-21) 5084832, 5085188  
Fax : (92-21) 5084833

### 92 ISLAMIC BANKING BRANCH

20-A/1, Block-6, Shahrah-e-Faisal, P.E.C.H.S.,  
Phones: (92-21) 4392411-13  
Fax : (92-21) 4392443

## GHARO

93 Main National Highway  
Gharo Distt. Thatta.  
Phones: (92-298) 760215-16  
Fax : (92-298) 760217

## HUB CHOWKI

94 Shop No. 4-6, International Shopping Mall and Hotel, Main RCD Road, Teh: Hub, Distt. Lasbela.  
Phones: (92-0853) 363023-26  
Fax : (92-0853) 363022

## LAHORE

95 MAIN BRANCH  
87, Shahrah-e-Quaid-e-Azam.  
Phones: (92-42) 6375821-3 & 111-786-110  
Fax : (92-42) 6369037



## Branch Network

- 96 LAHORE STOCK EXCHANGE BRANCH**  
Room No. 112, 1st Floor,  
Stock Exchange Building,  
19, Khayaban-e-Iqbal.  
Phones: (92-42) 6300125-27  
Fax : (92-42) 6300128
- 97 NEW GARDEN TOWN BRANCH**  
Awami Complex, 1-4 Usman Block,  
Front Block V, New Garden Town.  
Phones: (92-42) 5869366-69  
Fax : (92-42) 5869370
- 98 GULBERG BRANCH**  
23-A/K, Gulberg II.  
Phones: (92-42) 5750469 & 5750144  
Fax : (92-42) 5750145
- 99 PECO ROAD BRANCH**  
897-898, Block-D,  
Maulana Shaukat Ali Road,  
Faisal Town.  
Phones: (92-42) 5175169 & 5175430-31  
Fax : (92-42) 5175427
- 100 CAVALRY GROUND BRANCH**  
85, Cavalry Ground Extension,  
Commercial Area Cantt.  
Phones: (92-42) 6603212-16-17  
Fax : (92-42) 6671820
- 101 DEFENCE BRANCH**  
82-Y Commercial, Phase III, D.H.A.  
Phones: (92-42) 5894113-5894116  
Fax : (92-42) 5893303
- 102 G-BLOCK DHA BRANCH G-7**  
7-G, Commercial Area, Main Road,  
Phase-1, Defence, Lahore Cantt.  
Phones: (92-42) 5910092-94  
Fax : (92-42) 5910095
- 103 ALLAMA IQBAL TOWN BRANCH**  
7-Chenab Block, Main Boulevard,  
Allama Iqbal Town.  
Phones: (92-42) 5430918-20  
Fax : (92-42) 5430921
- 104 SHAHALAM MARKET BRANCH**  
Hilal-e-Ahmar Health Complex  
2, Queens Road, Shahalam Gate.  
Phones: (92-42) 7670496 & 7670498  
Fax : (92-42) 7670510
- 105 CIRCULAR ROAD BRANCH**  
51, S.E. Vohra Building,  
Outside Akbari Gate,  
Circular Road, Lahore.  
Phones: (92-42) 7670671-73  
Fax : (92-42) 7670674
- 106 CHOWK SHAH ALAM GATE BRANCH**  
R-121, Circular Road.  
Chowk Shah Alam Gate.  
Phones: (92-42) 7671164-65  
Fax : (92-42) 7671180
- 107 AZAM CLOTH MARKET BRANCH**  
1-Kamla Centre, Ittehad Bazar,  
Punjab Block, Azam Cloth Market.  
Phones: (92-42) 7672913-15  
Fax : (92-42) 7672916
- 108 NEW ANARKALI BRANCH**  
1-A, New Anarkali, First Floor,  
Tariq Trade Centre,  
Chowk Lohari Gate.  
Phones: (92-42) 7674248-50  
Fax : (92-42) 7674252
- 109 BRANDRETH ROAD BRANCH**  
52, Brandreth Road, Lahore.  
Phones: (92-42) 7320253-5, 7311079  
Fax : (92-42) 7117288
- 110 MCLEOD ROAD BRANCH**  
65-Mcleod Road.  
Phones: (92-42) 6278934-35  
Fax : (92-42) 6278820
- 111 ICCHRA BRANCH**  
218, Ferozepur Road, Icchra.  
Phones: (92-42) 7569982-3, 7569923  
Fax : (92-42) 7569924
- 112 BADAMI BAGH BRANCH**  
92-Grain Market, Badami Bagh.  
Phones: (92-42) 7708002-4  
Fax : (92-42) 7708005
- 113 BILAL GANJ BRANCH**  
Sheesh Mahal Park.  
Phones: (92-42) 7110461-63-64  
Fax : (92-42) 7110462
- 114 TIMBER MARKET BRANCH**  
Timber Market, Ravi Road.  
Phones: (92-42) 7720900-7724609-11  
Fax : (92-42) 7720901
- 115 GULSHAN-E-RAVI BRANCH**  
5-F, Main Boulevard, Gulshan-e-Ravi.  
Phones: (92-42) 7467724, 7466624  
Fax : (92-42) 7416272
- 116 WAPDA TOWN BRANCH**  
Mega Plaza, 191-F, Phase-I  
PIA.C.H.S., Wapda Town Chowk.  
Phones: (92-42) 5945671, 5945672-3  
Fax : (92-42) 5945669
- 117 JOHAR TOWN BRANCH**  
13-G, Johar Town.  
Phones: (92-42) 5314302-3-4  
Fax : (92-42) 5311696
- 118 THOKAR NIAZ BAIG BRANCH**  
Jamal Plaza, 1-K.M.  
Raiwind Road.  
Phones: (92-42) 5314396 -97  
Fax : (92-42) 5314398
- 119 BAGHBANPURA BRANCH**  
268-B, GT Road, Baghbanpura.  
Phones: (92-42) 6824837, 6824796  
Fax : (92-42) 6824785
- 120 SHADBAGH BRANCH**  
Plot No. 2, 1-Tajpura Chowk,  
Mouza Chan Miran.  
Phones: (92-42) 7602466, 7602566  
Fax : (92-42) 7607366
- 121 ISLAMIC BANKING BRANCH**  
3-E, Main Market, Gulberg.  
Phones: (92-42) 5754901-02  
Fax : (92-42) 5762501
- 122 REGAL CHOWK BRANCH**  
63, Shahrah-e-Quaid-e-Azam,  
Phones: (92-42) 7352756 & 86  
Fax : (92-42) 7314190
- 123 SAMANABAD BRANCH**  
891-N, Main Poonch Road.  
Phones: (92-42) 7590926-28  
Fax : (92-42) 7590929
- 124 ISLAMPURA BRANCH**  
10-C, Ghazia Abad,  
Main Bazar, Islampura.  
Phones: (92-42) 7112628-30  
Fax : (92-42) 7112631
- 125 SHADMAN COLONY BRANCH**  
Plot No. 120, Shadman Colony No. 1.  
Phones: (92-42) 7572906-08  
Fax : (92-42) 7572910
- 126 CHOWK YATEEM KHANA BRANCH**  
137, Sharif Park, Multan Road,  
Chowk Yateem Khana.  
Phones: (92-42) 7568110-12  
Fax : (92-42) 7568104
- 127 GHARI SHAHU BRANCH**  
84-G, Allama Iqbal Road,  
Mauza Ghari Shahu Cantt.  
Phones: (92-42) 6294148-50  
Fax : (92-42) 6294151
- 128 SHAHDARA BRANCH**  
Opp. Rustam Sohrab Factory,  
Sheikhupura Road, Tehsil Shahdara.  
Phones: (92-42) 7940171-73  
Fax : (92-42) 7940174
- 129 MODEL TOWN BRANCH**  
21, Central Commercial Market,  
Model Town Society.  
Phones: (92-42) 5915502-4  
Fax : (92-42) 5915505
- 130 BUND ROAD BRANCH**  
Plot No. 691-Bank Road,  
Chohan Park, Main Bund Road.  
Phones: (92-42) 7151083-85  
Fax : (92-42) 7151086
- 131 FEROEZPUR ROAD BRANCH**  
Khasra No. 3386/262, Muza Attari  
Saroba Cantonment Area, (18-KM)  
Main Ferozepur Road.  
Phones: (92-42) 5923627-8, 5923648  
Fax : (92-42) 5923649



## Branch Network

### 132 SABZAZAR BRANCH

123-A, Liaqat Chowk,  
Main Road, Sabzazar.  
Phones: (92-042) 7496749-53  
Fax : (92-042) 7496754

### KHANEWAL

133 Hussain Shopping Centre,  
Jamia Masjid Road, Khanewal.  
Phones: (92-065) 2552755-56  
Fax : (92-065) 2552757

### MULTAN

#### 134 MAIN BRANCH

126-C, Old Bahawalpur Road.  
Phones : (92-61) 4580314-16 & 111-786-110  
Fax : (92-61) 4582471

#### 135 HUSSAIN AGAHI BRANCH

Lohari Gate Shopping Centre,  
Hussain Agahi Road.  
Phones: (92-61) 4513893 & 4513577  
Fax : (92-61) 4513793

#### 136 GHALLA MANDI BRANCH

135/C, Ghalla Mandi, Vehari Road.  
Phones: (92-61) 4232627-28  
Fax : (92-61) 4232629

#### 137 GULGASHT BRANCH

Bosan Road, Multan.  
Phones: (92-61) 6752701-03-05  
Fax : (92-61) 6752704

#### 138 ADDA BOSAN BRANCH

Bosan Road, Adda Bosan,  
Teh: & Distt: Multan.  
Phones: (92-61) 4595006-8  
Fax : (92-61) 4595009

#### 139 ISLAMIC BANKING BRANCH

Plot No. 399/400-C, 1st Floor,  
Gulgasht Colony, Bosan Road, Multan.  
Phones: (92-61) 6511643, 6511641  
Fax : (92-61) 6511644

#### 140 SHAH RUKNE ALAM COLONY BRANCH

79-C, Block-C, Shah Rukn-e-Alam  
Colony, Multan.  
Phones: (92-61) 6782961-2  
Fax : (92-61) 6782963

### PULL KHARAN

141 Mauza Hanjani, Jalalpur Pir Wala Road,  
Tehsil Shujabad, District Multan.  
Phones : (92-061) 4042270-71  
Fax : (92-061)

### KHAN BELA BRANCH

142 Koraja Plaza, KLP Road,  
Distt. Rahim Yar Khan.  
Phones: (92-68) 5580071, 5580072  
Fax : (92-68) 5580073

### ZAHIR PIR BRANCH

143 Charchran / KLP Road,  
Distt. Rahim Yar Khan.  
Phones: (92-68) 5563705, 5563706  
Fax : (92-68) 5563707

### TIBBA SULTANPUR BRANCH

144 Main Bazar, Saleem Minhas Road,  
Distt. Vehari.  
Phones: (92-67) 3701001, 3701143  
Fax : (92-67) 3701144

### GAGGO MANDI

145 Sheikh Fazil Road,  
Teh: Burewala, Distt. Vehari.  
Phones: (92-67) 3501231-2  
Fax : (92-67) 3501233

### KARKHANA BAZAR

146 35-A, Karkhana Bazar,  
Near Ghalla Mandi. Distt: Vehari.  
Phones: (92-67) 3360028, 3360029  
Fax : (92-67) 3360031

### PARCO BRANCH

147 Kot Addu Road, Qasba Gujrat,  
Teh: Kot Addu Distt: Muzaffargarh.  
Phones: (92-66) 2291905-6  
Fax : (92-66) 2291907

### SADIQABAD

148 Plot No. 24, Allama Iqbal Road.  
Phones: (92-68) 5801101-3  
Fax : (92-68) 5801104

### RAHIM YAR KHAN

149 Shahi Road.  
Phones: (92-68) 5884557 & 5884508-9  
Fax : (92-68) 5884503

### KHANPUR

150 Plot No. 8/9, Model Town Road,  
Distt. Rahim Yar Khan.  
Phones: (92-68) 5576702-3  
Fax : (92-68) 5576704

### BAHAWALPUR

151 Circular Road, Near Chowk Fawara,  
Bahawalpur.  
Phones: (92-062) 2731262-64  
Fax : (92-062) 2731265

### 152 UCH SHARIF TOWN BRANCH

Tehsil Ahmedpur East  
District Bahawalpur.  
Phones: (92-062) 2551315  
Fax : (92-062) 2551316

### D.G. KHAN

153 83-Block-10, New College Road,  
Dera Ghazi Khan.  
Phones: (92-64) 2468470, 2468471-3  
Fax : (92-64) 2468474

### BUREWALA

154 67/F Vehari Road, Burewala  
Phones: (92-67) 3772531-33  
Fax : (92-67) 3772534

### FAISALABAD

#### 155 MAIN BRANCH

Bank Square, Outside Kutchery Bazar.  
Phones : (92-41) 2637301-3 & 111-786-110  
Fax : (92-41) 2614266

#### 156 MILLAT ROAD BRANCH

132-B, Gulistan Colony II,  
Millat Road.  
Phones: (92-41) 8582115-6  
Fax : (92-41) 8582118

#### 157 MADINA TOWN BRANCH

37-X-101, Soosan Road.  
Phones: (92-41) 8557691-93  
Fax : (92-41) 8737645

### KHURRIANWALA

158 Kamal Spinning Mills, 4th KM,  
Khurrianwala-Jaranwala Road,  
Distt: Faisalabad.  
Phones: (92-041) 4363144-5  
Fax : (92-041) 4363146

### FEROZWATOAN

159 Main Gate, Shafi Spinning Mills Ltd.,  
Faisalabad Shekhupura Road,  
Ferozwatoan Distt. Shekhupura.  
Phones: (92-056) 3731301-2  
Fax : (92-056) 3731303

### KAMALIA SUGAR MILLS

160 Kot Khathran, Kamalia.  
Phone : (92-46) 3432479, 3432487  
Fax : (92-46) 3432491

### SAHIWAL

161 271, Block-2, High Street (Jinnah Road).  
Phones: (92-40) 4466021 & 4467021  
Fax : (92-40) 4464031

### OKARA

162 29, Block-A, Mandi Road, Okara.  
Phones: (92-44) 2528175-2528241  
Fax : (92-44) 2524789

### KASUR

163 Railway Road,  
Near Darbar Bullhayshah.  
Phones: (92-49) 2764355, 2764366, 2722566  
Fax : (92-49) 2765040

### SHEIKHUPURA

164 B-IX-64-95/A, Sarghoda Road,  
Near Sharif Plaza.  
Phones: (92-56) 3612906 & 111-786-110  
Fax : (92-56) 3612877



## Branch Network

### GUJRANWALA

165 Opp: Iqbal High School, G.T. Road,  
Gujranwala.  
Phones: (92-55) 3846220, 3857220  
Fax : (92-55) 3734100

### 166 PEOPLES COLONY

Premises No. 30-Y-7, Block  
Main Central Road, Peoples Colony.  
Phones: (92-55) 4292401-3  
Fax : (92-55) 4292404

### HAFIZABAD

167 Chowk Anarkali Bazar,  
Gujranwala Road, Hafizabad.  
Phones: (92-0547) 540373-75  
Fax : (92-0547) 540376

### WAZIRABAD

168 Awan Market, Opp. Civil Court,  
Sialkot Road, Distt. Gujranwala.  
Phones: (92-55) 6601231-3  
Fax : (92-55) 6601244

### SIALKOT

169 Opp. Telephone Exchange Office  
Paris Road.  
Phones: (92-52) 4598407 & 111-786-110  
Fax : (92-52) 4597064

### GUJRAT

170 Ground Floor, Soufi Hotel, G.T. Road.  
Phones: (92-53) 3515803 & 111-786-110  
Fax : (92-53) 3525628

### DINGA (DISTT. GUJRAT)

171 Opp. Civil Hospital.  
Phone : (92-53) 7401737  
Fax : (92-53) 7402785

### KHARIAN

172 G.T. Road, Kharian City,  
District Gujrat, Punjab.  
Phone : (92-537) 536178-80  
Fax : (92-537) 536167

### ISLAMABAD

#### 173 MAIN BRANCH

90-91, Razia Sharif Plaza,  
Jinnah Avenue, Blue Area.  
Phones : (92-051) 2270883-4 & 111-786-110  
Fax : (92-051) 2270885

#### 174 F-10 MARKAZ BRANCH

F-10 Markaz.  
Phones: (92-051) 2297758-2213482  
Fax : (92-051) 2296895

#### 175 I-8 MARKAZ BRANCH

Huzafia Centre.  
Phones: (92-051) 4862257-9  
Fax : (92-051) 4862261

#### 176 I-10 MARKAZ BRANCH

Plot No. 3-C, Babar Plaza,  
Peshawar. (92-051) 4431194-96  
Fax : (92-051) 4431197

#### 177 BARA KAHU BRANCH

Mozah Kot Hathail Main Murree Road  
Bara Kahu Tehsil & District.  
Phones: (92-051) 2233604-06  
Fax : (92-051) 2231139

### RAWALPINDI

#### 178 MAIN BRANCH

40/3, Jhanzeb Centre, Bank Road,  
Rawalpindi Cantt.  
Phones: (92-51) 5519936-38  
Fax : (92-51) 5519939

#### 179 CITY BRANCH

C/30, C/32, Iqbal Road, Trunk Bazar,  
Rawalpindi City.  
Phones: (92-51) 5553462, 5553664  
Fax : (92-51) 5554493

#### 180 MURREE ROAD BRANCH

B-128, Block No. B,  
Satellite Town, Murree Road.  
Phones: (92-51) 4572019-20  
Fax : (92-51) 4572021

#### 181 WAH CANTONMENT BRANCH

A-12, Shahwali Colony,  
Opp. Aslam Uppal Chowk, The Mall Road.  
Phones: (92-51) 4511705, 4511872  
Fax : (92-51) 4511926

#### 182 CHAKLALA SCHEME-III BRANCH

Rahman Plaza, Imran Khan Avenue,  
Chaklala-III, Commercial Market,  
Rawalpindi.  
Phones: (92-51) 5766322-4  
Fax : (92-51) 5766011

### GUJAR KHAN

183 Plot No. D-39, G.T. Road,  
Tehsil: Gujjar Khan, Distt: Rawalpindi.  
Phones: (92-051) 3511601  
Fax : (92-051) 3511602

### ABBOTTABAD

184 Mansehra Road,  
Abbottabad.  
Phones: (92-0992) 384190-92  
Fax : (92-0992) 384193

### PESHAWAR

#### 185 MAIN BRANCH

105-106, F.C. Trust Building,  
Sonehri Masjid Road.  
Phones: (92-91) 5279814 & 111-786-110  
Fax : (92-91) 5279861

#### 186 JAMRUD ROAD BRANCH

G.B. Plaza, Jamrud Road,  
Hayatabad, Peshawar.  
Phones : (92-91) 5815197, 5813294, 5814704  
Fax : (92-91) 5814660

#### 187 ASHRAF ROAD BRANCH

Pashtoon Plaza, Ashraf Road,  
Peshawar City.  
Phones : (92-91) 2580731, 2580732, 2580733  
Fax : (92-91) 2580735

#### 188 UNIVERSITY ROAD BRANCH

Malik Plaza, Arbab Chowk,  
University Road.  
Phones : (92-91) 5711492-94  
Fax : (92-91) 5711495

### SALEH KHANA

189 Village & P.O. Saleh Khana,  
Tehsil & Distt. Nowshera N.W.F.P.  
Phone : (92-923) 651456  
Fax : (92-923) 651676

### MATHANICHANGAN SWABI

190 Village Mathanichangan,  
Distt. Swabi. N.W.F.P.  
Phones: (92-938) 537337-38  
Fax : (92-938) 537339

### MIRPUR (AZAD KASHMIR)

191 82-A/B, Allama Iqbal Road, Sector B-4.  
Phone : (92-58610) 45064  
Fax : (92-58610) 44766

### MIRPURKHAS

192 Plot No. 488 & 489, Ward A, Station Road,  
Phones: (92-233) 874524, 874525  
Fax : (92-233) 874522

### NAWABSHAH

193 Masjid Road.  
Phones: (92-244) 362738 & 362854  
Fax : (92-244) 362737

### QAZI AHMED BRANCH

194 Waqar Ali Shopping Centre,  
Main National Highway,  
Qazi Ahmed City, Taluka Doulatpur  
District Nawabshah, Sindh.  
Phones: (92-244) 321402, 321404  
Fax : (92-244) 321403

### SHAHPUR CHAKAR

195 Main Bazar, Chowk.  
Phones: (92-235) 846131, 846164  
Fax : (92-235) 846178



## Branch Network

### HYDERABAD

#### 196 MAIN BRANCH

Saddar Bazar, Cantonment Area.  
Phones: (92-22) 2785803  
Fax : (92-22) 2781955

#### 197 QASIMABAD BRANCH

Suhrio House, Ground Floor, Main  
Shahrah-e-Qasimabad, Hyderabad, Sindh.  
Phones: (92-22) 2655551-4  
Fax : (92-22) 2655557

#### 198 MARKET ROAD BRANCH

Grain Market, Plot No. C.S. 2773/1  
Ward 'A' Market Road.  
Phones: (92-22) 2638113-4, 2634554  
Fax : (92-22) 2631416

#### 199 NEW SAEEDABAD BRANCH

Plot No. 53 / 236, Ward A-11/16,  
Taluka Hala, District Maitari.  
Phones: (92-22) 2767550-2  
Fax : (92-22) 2767553

#### 200 HALA NAKA BRANCH

Plot No. 118, Main Truck Stand,  
Hala Naka Road, Hyderabad.  
Phones: (92-22) 2032325-6  
Fax : (92-22) 2032327

#### 201 LATIFABAD BRANCH

Block-D, Unit No. 7,  
Latifabad, Hyderabad.  
Phones: (92-22) 3818072-73  
Fax : (92-22) 3818070

### HINGORJA

202 Plot No. 371, Sami Sagyoon Road,  
Tehsil: Sobhodoro, Distt. Khairpur.  
Phones: (92-0243) 740596  
Fax : (92-0243) 740597

### SUKKUR

203 B-2555, Shaheed Gunj.  
Phone : (92-71) 5622287  
Fax : (92-71) 5625749

### BHIRIA ROAD

204 Plot No. 11-C/14-T, Station Road,  
Bhiria Road, Distt. Naushero Feroz, Sindh.  
Phone : (92-0242) 435028  
Fax : (92-0242) 435030

### MORO

205 Plot No. IB/210/C-83, Main Road, Moro,  
Distt. Naushero Feroz, Sindh.  
Phones : (92-0242) 413112, 413116  
Fax : (92-0242) 413121

### TANDO ADAM

206 Plot No. 236, Shah Complex, Near  
Muhammadi Chowk, Tando Adam, Sindh.  
Phone : (92-0235) 576284  
Fax : (92-0235) 576315

### KANDHKOT

207 Jumman Shah Mohallah / Road,  
Kandhkot Town, Sindh.  
Phones: (92-0722) 570013-14  
Fax : (92-0722) 570015

### LARKANA

208 Plot No. 1616/1, 1616/2, 1618, 1622  
Pakistan Chowk, Bunder Road.  
Phones : (92-74) 4043060, 4042599, 4043199  
Fax : (92-74) 4043199

### MEHRABPUR

209 Zeeshan Shopping Center,  
Thari Road, Mehrabpur.  
Phones: (92-242) 430914, 431132  
Fax : (92-242) 431538

### SANGHAR

210 Plot No. 938-1 & 938-2, Ward-B  
M.A. Jinnah Road, Sanghar.  
Phones: (92-235) 543102, 543103  
Fax : (92-235) 542849

### DAHARKI

211 Daharki Distt. Ghotki  
Phone : (92-723) 643822  
Fax : (92-723) 643820

### TURBAT

212 Saddar Bazar Main Road,  
Turbat.  
Phones: (0852) 411491-04  
Fax : (0852) 411490

### QUETTA

213 Mannan Chowk, M.A. Jinnah Road.  
Phones: (92-81) 2844125 & 111-786-110  
Fax : (92-81) 2842335

### 214 ISLAMIC BANKING BRANCH

Plot No. 3, Farooq-e-Azam Chowk  
Opp. Bus Stand, Satellite Town.  
Phone : (92-81) 2449042  
Fax : (92-81) 2449036

### GAWADAR

215 Plot No. 32/32, Gawadar Palace Hotel,  
Air Port Road.  
Phone : (92-864) 212204  
Fax : (92-864) 212203

### FAZILPUR

216 Atta Market, Indus Highway,  
Fazilpur, Tehsil & District Rajanpur.  
Phone : (92-0604) 680201  
Fax : (92-0604) 680202

### JHELUM

217 Opposite Rescue 15,  
Railway Road.  
Phones: (92-0544) 621810, 623110  
Fax : (92-0544) 627510

### SARGODHA

218 Opposite DIG House,  
Khayyam Chowk, University Road.  
Phones: (92-048) 3768051-3  
Fax : (92-048) 3768054

### MANDI BAHAUDDIN

219 Ghalla Mandi,  
Bank Road, Mandi Bahauddin.  
Phones: (92-0546) 501722, 502922  
Fax : (92-0546) 503304

### CHAKWAL

220 B-VII, 11A, Ejaz Plaza,  
Opp. Govt. Boys College Talagang Road.  
Phones: (92-0543) 540050  
Fax : (92-0543) 540049

### TOBA TEK SINGH

221 Plot No. 102, Chak No. 326-GB,  
Allama Iqbal Road, Talab Bazar.  
Phones: (92-046) 2514017-19  
Fax : (92-046) 2514020

### SHIKARPUR

222 Plot No. 5/137, Opposite Gate  
Sabzi Mandi Stuart Gunj.  
Phones: (92-0726) 512519-20  
Fax : (92-0726) 520776

### MURIDKE

223 G.T. Road, Muridke,  
Tehsil Ferozwala, Distt. Sheikhpura.  
Phones: (92-042) 7950602-4  
Fax : (92-042) 7950605

### NAROWAL

224 Kutchery Road.  
Phones: (92-0542) 411331-2  
Fax : (92-0542) 414413

### JOHARABAD

225 Main Bazar Joharabad,  
District Khushab.  
Phones: (92-0454) 721985-86  
Fax : (92-0454) 721984

### OVERSEAS OPERATION BAHRAIN

226 1302 Almoayyed Tower,  
Al Seef District, P.O. Box 50786  
Manama, Kingdom of Bahrain.  
Phone : (92-973) 1756-4044  
Fax : (92-973) 1756-4033

### Principal Office

Mackinnons Building, I. I. Chundrigar Road, Karachi. Phones: (92-21) 2412421, 2412986 & 111-786-110  
Fax: (92-21) 2419752

SWIFT CODE : BAHLPKKA

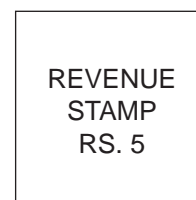
website : [www.bankalhabib.com](http://www.bankalhabib.com)



## Form of Proxy

The Company Secretary  
Bank AL Habib Limited  
126-C, Old Bahawalpur Road,  
MULTAN.

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member(s) of Bank AL Habib Limited and holding \_\_\_\_\_  
ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. \_\_\_\_\_  
hereby appoint \_\_\_\_\_ Folio No. \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ Folio No. \_\_\_\_\_  
of \_\_\_\_\_  
another member of the Bank to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting  
of the Bank to be held on Thursday, March 26, 2009 and at any adjournment thereof.  
As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.



SIGNATURE OF MEMBER (S)

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC or passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted alongwith proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.