

بَيْنَكَ وَاللَّهِ



BankIslami

Nature is pure & promising
so is BankIslami



*BankIslami, Gilgit Branch

BankIslami Pakistan Limited
7TH ANNUAL REPORT, DECEMBER 2010

Serving you, the Right way

VISION

The Vision of BankIslami is to be recognized as the leading Authentic Islamic Bank.

MISSION

The Mission of BankIslami is to create value for our stakeholders by offering Authentic, Shariah compliant and technologically advanced products and services. We differentiate ourselves through:

- ▶ Authenticity
- ▶ Innovation
- ▶ Understanding our clients' needs
- ▶ Commitment to excellence and
- ▶ Fast, efficient and seamless delivery of solutions. As a growing institution, the foundation for our performance lies on our human capital and BankIslami remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.

VALUES

BankIslami is strongly committed towards its core values of:

- ▶ Product authenticity
- ▶ Customer focus
- ▶ Meritocracy
- ▶ Integrity
- ▶ Team work
- ▶ Humility
- ▶ Innovation

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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CORPORATE INFORMATION

Board of Directors

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	
Mr. Ali Raza Siddiqui	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Hicham Hammoud	
Mr. Mohamed Amiri	
Mr. Shabir Ahmed Randeree	

Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani	Chairman
Professor Dr. Fazlur Rahman	Member
Mufti Irshad Ahmad Aijaz	Member & Sharia'h Adviser

Audit Committee

Mr. Hicham Hammoud	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

Executive Committee

Chief Justice (Retd.) Mahboob Ahmed	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Hasan A. Bilgrami	Member
Mr. Hicham Hammoud	Member

Risk Management Committee

Mr. Ahmed Goolam Mahomed Randeree	Chairman
Mr. Hasan A. Bilgrami	Member
Mr. Mohamed Amiri	Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	Chairman
Mr. Ahmed Goolam Mahomed Randeree	Member
Mr. Hicham Hammoud	Member
Mr. Hasan A. Bilgrami	Member

Company Secretary

Syed Shah Sajid Hussain

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advier

Haidermota & Co.
Barrister at Law

Management (in alphabetical order)

Mr. Ahmed Mustafa

Mr. Arsalan Vohra

Mr. Arshad Wahab Zuberi

Mr. Asad Alim

Mr. Farooq Anwar

Mr. Hasan A. Bilgrami

Mr. Khawaja Ehrar ul Hassan

Mr. Muhammad Faisal Shaikh

Mr. Muhammad Furqan

Mr. Muhammad Imran

Mr. Muhammad Shoaib Khan

Mr. Rehan Shuja Zaidi

Mr. Shamshad Ahmed

Ms. Sheba Matin Khan

Mr. Syed Akhtar Ausaf

Mr. Syed Mujtaba H. Kazmi

Mr. Syed Shah Sajid Hussain

Head, Branch Operations

Head, Risk Policy & Analytics

Head Administration & General Services

Head, Information Systems

Head, Operations

Chief Executive Officer

Head, Compliance

Head, Product Development

Head, Credit Administration

Head, Consumer & Retail Banking

Head, Treasury & Financial Institutions

Head, Internal Audit

Head, Trade Finance

Head, Human Resources

Head, Risk Management

Head, Corporate Finance

Head, Finance

Registered Office

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4 Clifton,
Karachi.

Phone: (92-21) 111- 247(BIP)-111

Fax: (92-21) 35378373

Email: info@bankislami.com.pk

Share Registrar

Technology Trade (Private) Limited,
Dagia House, 241-C, Block-2,
P.E.C.H.S. Off Shakra-e-Quaideen,
Karachi.

Phone: (92-21) 34387960-61

Fax: (92-21) 34391318

Website

www.bankislami.com.pk

FINANCIAL HIGHLIGHTS AT A GLANCE

Key Figures at a Glance

2010 2009 2008 2007 2006
Rupees in million

PROFIT AND LOSS ACCOUNT

Return earned	3,806.20	2,177.14	1,464.84	599.64	100.01
Profit paid	2,057.53	1,222.17	729.53	303.84	18.67
Net Spread	1,748.67	954.97	735.32	295.79	81.34
Fee, Commission, Brokerage and Exchange	148.10	315.91	141.39	71.46	4.17
Income from core banking	1,896.77	1,270.88	876.71	367.25	85.51
Provisions	7.42	(111.20)	(130.56)	(28.37)	(1.00)
Other Income	59.01	26.78	54.75	68.83	40.38
Operating expenditure	(1,918.66)	(1,766.12)	(1,033.90)	(510.59)	(159.29)
Profit/ (loss) before tax	44.54	(579.66)	(233.00)	(102.89)	(34.40)
Taxation	2.01	89.83	177.55	64.29	26.05
Profit/ (loss) after tax	46.55	(489.82)	(55.45)	(38.60)	(8.35)

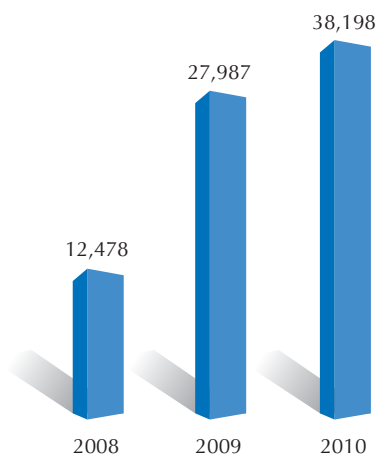
	2010	2009	2008	2007	2006
BALANCE SHEET					
Assets	45,036	34,272	19,085	14,446	4,025
Financings	16,670	10,457	6,343	3,931	959
Deposits	38,198	27,987	12,478	9,934	1,778
Share Capital	5,280	5,280	5,280	3,200	2,000
Shareholders Fund	4,766	4,725	5,188	3,843	2,003
Number of staff	1,347	1,471	1,188	563	236
Number of branches	102	102	102	36	10

RATIO

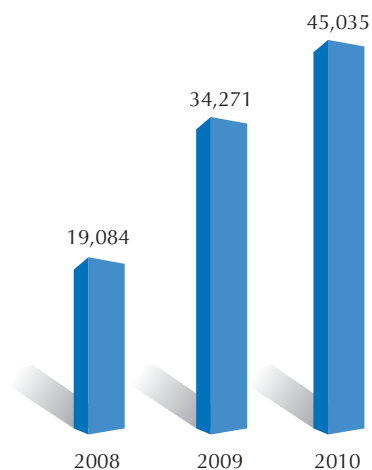
Break up Value (Rs)	9.03	8.95	9.83	12.01	10.02
Market Value per Share (Rs.)	3.63	5.89	7.25	16.20	10.55
Earning per Share (Rs.)	0.09	(0.93)	(0.11)	(0.12)	(0.04)
Net Spread to gross return (%)	45.9%	43.9%	50.2%	49.3%	81.3%
Financing to deposit ratio-ADR (%)	44%	37%	51%	40%	54%
Capital Adequacy ratio	19.50%	20.18%	39.83	37.92	61.83

FINANCIAL HIGHLIGHTS AT A GLANCE

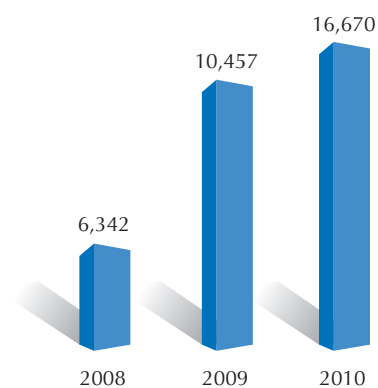
Total Deposits (Rs in million)



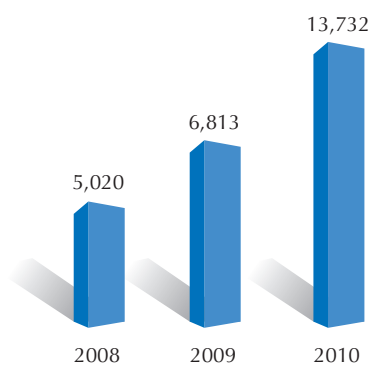
Total Assets (Rs in million)



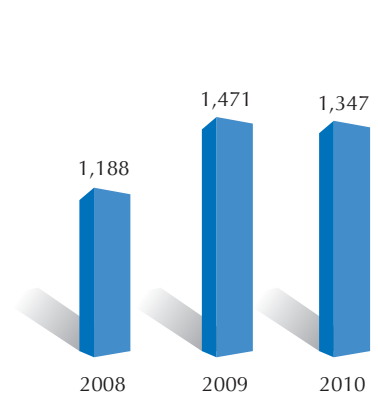
Total Financings (Rs in million)



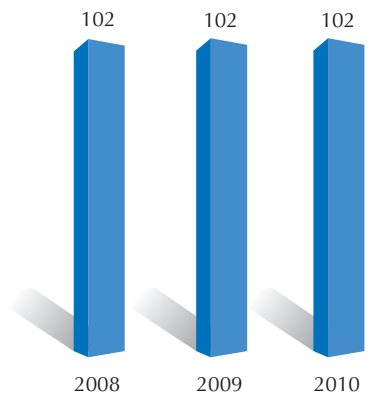
Total Investments (Rs in million)



Employee Count



Branch Network



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Wednesday, March 30, 2011 at 08:30 a.m. at Hotel Regent Plaza, Shahra-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS

- 1- To confirm minutes of the 6th Annual General Meeting held on March 30, 2010.
- 2- To receive, consider and adopt the Audited Financial Statements (separate and consolidated) for the year ended December 31, 2010 together with the Auditors' and Directors' Reports thereon.
- 3- To appoint Auditors of the Bank for the year ending December 31, 2011 and to fix their remuneration.
- 4- To elect seven (7) Directors as fixed by the Board in accordance with the provision of Section 178 of the Companies Ordinance 1984 for a period of three years in place of the retiring directors namely:

- 1- Chief Justice (Retd.) Mahboob Ahmed
- 2- Mr. Ahmed Goolam Mahomed Randeree
- 3- Mr. Ali Raza Siddiqui
- 4- Mr. Hasan A. Bilgrami
- 5- Mr. Shabir Ahmed Randeree
- 6- Mr. Hicham Hammoud
- 7- Mr. Mohamed Amiri

ANY OTHER BUSINESS

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

By Order of the Board



Syed Shah Sajid Hussain
Company Secretary

Karachi: March 09, 2011

Notes:

- 1- The Members' Register will remain closed from March 25, 2011 to March 31, 2011 (both days inclusive).
- 2- A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the registered office not less than 48 hours before the holding of the meeting.
- 3- An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purposes.
- 4- Members are requested to promptly notify Share Registrar, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, PECHS Society, Karachi, of any change in their address.
- 5- Any person who seeks to contest the election of directors shall file the following with the Bank at its Registered Office not later than fourteen days before the day of the above said meeting.

- i) His/her intention to offer himself/herself for election of Directors in terms of Section 178(3) of the Companies Ordinance 1984 (the Ordinance) together with (a) consent on Form 28 as prescribed by the Companies (Provision and Forms) Rule, 1985 (b) a declaration with the consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance (the Code) to the effect that he/she is aware of the duties and powers of Directors as mentioned in the Companies Ordinance 1984, the Memorandum and Articles of the Bank and the Listing Regulations of the Karachi Stock Exchange and has read the relevant provisions contained therein; and (c) a declaration in accordance with clauses (iii) and (iv) of the Code to the effect that he/she is not serving as a Director of more than ten listed companies and he/she is registered National Tax Payee (except where he/she is a non-resident) that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.
- ii) A specified affidavit as prescribed in the State Bank of Pakistan (SBP) BPRD Circular No. 12 dated June 2, 2000 together with the prescribed Questionnaire in accordance with the Prudential Regulation No.G-1, the 'Fit and Proper Test' for the appointment of Directors in terms of SBP BPRD Circular No.13 dated May 17, 2004 along with two recent photographs and a copy of CNIC (Passport in case of a foreign national). Copies of SBP circular/annexures may be obtained from the SBP website or from the office of the Company Secretary of the Bank. SBP circular/annexures also list various persons who are not eligible to become director of a bank. Any person with these anomalies is considered undesirable; and against the public interest in terms of SBP BPRD Circular No. 12 dated June 2, 2000.

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the 7th Annual Report of BankIslami Pakistan Limited. Following are the highlights:

	Dec-10	Dec-09	Growth (%)
Total Deposits	38,198	27,987	36.4%
Total Assets	45,035	34,271	31.4%
Total Financing-net	16,670	10,457	59.4%
Total Investments	13,732	6,813	101.6%
Shareholder's Equity	4,766	4,725	0.6%
Branches	102	102	-
	Dec-10	Dec-09	
Basic Earnings/(loss) per share	0.09	(0.93)	109.6%

The reversal of the recessionary economic trends in Pakistan, which commenced last year, was significantly disrupted in 2010 by the unprecedented floods that hit the country in the months of July-August causing large scale devastation. In the short term, government finances were strained by the emergency relief effort while the longer term impact would be spread over a larger period and frankly the exact magnitude is still less than definite. It was one of the reasons, the government slowed the implementation of economic reforms in view of the reduced appetite of the public to absorb the impact of such measures. International commodity prices also maintained a rising trend over the last 12 months. With the fiscal deficit also substantially overshooting targeted levels, monetary policy tightening became a key tool to counter CPI inflation which stood at 13.9% YoY in December 2010. Driven by this, the State Bank of Pakistan increased the benchmark discount rate by 150 bps during the year. Large Scale Manufacturing returned to recessionary levels in the period July to December 2010 due to the flood impact as well as chronic energy shortages. Net credit growth for the private sector was moderate at 5% on YoY basis. A combination of one-off flood aid receipts, sustained inflow of workers remittances and better than expected export performance due to high international cotton prices resulted in a minor current account surplus in the period July- December with foreign exchange reserve increasing from US\$ 15.2 billion to US\$ 17.1 billion over the year. On the flip side, there is a greater uncertainty about the IMF Program.

BankIslami did exceptionally well given the circumstances.

As planned, no network expansion took place in 2010. Despite of that, the deposits of the Bank recorded a growth of 36.48%. The advances, on the other hand increased by 59.41% which is commendable due to slow private credit off take. Another hallmark of the year was containment of Non-Performing Loans (NPL's) which actually recorded a reversal despite of aggressive credit growth. The Classified Portfolio stood at 4.36% which is second lowest within the banking industry. The Investments portfolio recorded a growth of 101.55%, almost entirely due to availability of Sovereign Sukuk Bonds. Trade Business, despite of obstacles faced towards the later part of the year grew by a healthy 194.23%. The Bank also successfully completed acquisition of the Housing Finance Portfolio of Citibank N.A. Pakistan Branch which has been hailed as a landmark transaction. As of the end February, over 90% of the customers in terms of value from this portfolio had agreed to convert to Sharia'h compliant financing.

Better asset deployment and quality growth in deposits was duly reflected in the Profit and Loss Account. Gross Fund Based Revenue increased by 74.82% while the Net Spread increased by 83.11%. After accounting for Provisioning and Non-fund based Income, total increase in Revenues was 65.46%. Expenses showed a marginal increase of 8.64% reflecting good cost control. The net result is Profit Before Tax of Rs. 44.5M as against a Loss of Rs. 579.7M showing a turn around of Rs. 624.2M.

Initiatives in other areas included setting up a full fledged Service Quality Department and deployment of Service Quality Officers in the first phase in Karachi. Almost 90% staff members received training ranging from Technical to Soft Skills. Similarly, the Sharia's compliant core banking system, iMal, was almost completely deployed.

Future Outlook:

While the results are encouraging and the situation remains challenging, we believe BankIslami has reached a stage from which it can move to the next level. Let me lay out the key points of strategy to be pursued inshallah in 2011.

Firstly, we do not intend opening any more branches in 2011. We believe the existing infrastructure of the Bank is still good enough to propel deposit growth by another 35% to 40% without any increase in cost and mix. On the assets side, we will continue with our strategy of focusing on top tier clients competing in rate while maintaining between 15% to 20% of the Portfolio in Consumer Assets. While we have an excellent track record in this segment, given the high interest rate environment coupled with other challenges, we do not see it as a key growth area. Experiences of other Commercial Banks in this Segment are not encouraging. Trade Finance, despite of challenges, is one of the key growth area identified by us. We are planning to grow the business by around 300% this year. The initial results are very encouraging. We also expect 2011 should see us recovering some of the stuck up Advances bringing NPLs to around 3.5% despite of projected 65% growth in Advances. Depending on opportunity, the Bank will have appetite for more Portfolio acquisitions. Head count will record a marginal increase due to increase in consumer base which is projected to grow by another 25%. We expect to report Profit for the year and also expect inshallah going forward the Bank will have enough earnings to see us meet the Minimum Capital Requirement of the State Bank of Pakistan without any significant capital injection.

Other notable initiatives include, extension of Service Quality to all Branches of our net work. The revised Cross Selling Model will also be implemented beginning end of first quarter. A Sharia'h compliant Visa Debit Card is due to be launched in the second quarter. The Bank is also working on joining the Pakistan Remittance Initiative this year.

Minimum Capital Requirement:

Towards the end of 2010, Pakistan Banks Association submitted a request to State Bank of Pakistan to review the MCR, which it found to be very high. While, the SBP did not agree with the opinion of the PBA, it has assured to accommodate banks on case by case bases. Accordingly, BankIslami has submitted a plan to SBP requesting for an extension of meeting the MCR of Rs. 10B by June 2014 instead of December 2013. This plan is under discussion with SBP. It is expected on achieving MCR of Rs. 6B and maintaining CAR of 15%, SBP will grant approval of this plan. The Board in its meeting held on February 07, 2011 agreed in-principle to issue Right Shares at discount to bring the MCR to Rs. 6B. State Bank of Pakistan has kindly allowed relaxation to the Bank from MCR vide its letter No: BD/BAI-3/6/2773/2011 dated March 07, 2010. An inherent condition of relaxation in the Bank to raise its paid up capital to Rs. 6B by June 30, 2011.

Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the State Bank of Pakistan. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

- 1- The financial statements prepared by the Management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
- 2- Proper books of account of the Bank have been maintained.
- 3- Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in the financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4- International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- 5- The system of internal control is sound in design and has been effectively implemented and monitored.
- 6- There are no doubts upon the Bank's ability to continue as a going concern.
- 7- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- 8- The value of investments of the Bank's Provident Fund based on un-audited accounts at December 31, 2010 amounted to Rs 122 Million.
- 9- The purchase and sale of shares by the Directors and the Chief Executive during the year is given in enclosed annexure.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by The Karachi Stock Exchange in its listing regulations relevant for the year ended December 31, 2010 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management Framework

The Risk Management functions has now taken its root within the financial institutions on a world-wide basis, and is as critical in fulfilling the institutes' financial objectives as the objectives themselves. Its not just a function to foretell and manage and adverse future event, but it brings about the basic function of being informed; being informed of what can or may happened, being informed of what steps/controls need to be taken to reduce/mitigate the level of risk and to be informed and to be reasonably prepared to deal with any undesired event/circumstances. Decisions emanating from this basic understanding form the cornerstone of our Risk Management Framework.

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the bank's risk mandate, establishment of a structure that provides for authority, delegation, accountability, and the development of a control framework. Risk Management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Our framework comprises of a separate department, with a dedicated and growing team, which share our core strategic values including an effective Sharia'h compliance.

Committees related to the management of risks at BIPL form the main layer of the framework, the inflow/outflow of information is through the dedicated function of risk management. The Head of Credit / Risk, Operations, Finance, Treasury and other related functions review the critical risk areas of operational, credit and market risk as well as other risks being faced by the organization, along with the magnitude of their impact and of occurrence.

BIPL perceives the management of risk not to be limited to a department or a function, but rather should read-into daily business routine. Ideas and decisions are heavily based on the risk / reward trade-off some of the ideas which never see the light of the day are usually the ones which have been shelved due to an unacceptable risk level. The risks when identified and analyzed are further weighed against the applicable risk weights and its impact reviewed on a periodic basis. This pro-active approach helps in outlining the organization's risk tolerance level vis-à-vis BIPL's risk appetite in relation to its size, current position and market standing, with a view to refine processes, controls and guidelines to not only mitigate, but also to effectively manage risk.

Credit Rating

The Bank has been assigned a long term entity of 'A' and short term rating of 'A-1' by Pakistan Credit Rating Agency Limited (PACRA), reflecting BankIslami well conceived business strategy and establishment of an effective operating platform to execute the business strategy.

Pattern of Shareholding

The Pattern of shareholding as at December 31, 2010 is annexed with the report.

Auditors

The present auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. A. F. Ferguson & Company, Chartered Accountants as auditors for the year ending December 31, 2011.

Acknowledgements

The Board would like to place on record its deep appreciation for the State Bank of Pakistan for all the assistance and guidance. We are grateful to them for giving a patient hearing of our point of view and taking a decision in the end which is a win win situation for all the stake holders. We are also thankful to our employees for their kind dedication and commitment during the year under review.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer

March 07, 2011

ANNEXURE TO DIRECTORS' REPORT

The purchase and sale of shares by Directors and Chief Executive Officer during the year are given below:

Name	Designation	No. of Shares as at Jan. 01, 2010	Shares subscribed during the Year	No. of Shares as at Dec. 31, 2010
Chief Justice (Retd.) Mahboob Ahmed	Chairman	130,829	-	130,829
Ahmed G.M.Randeree	Director	51,423,883	-	51,423,883
Shabir Ahmed Randeree	Director	51,423,883	-	51,423,883
Hasan A. Bilgrami	Director & Chief Executive Officer	499,079	-	499,079

Attendance of Board of Directors for the Year 2010:

Director Name	Total	Attended	Leave of Absence
Chief Justice (Retd.) Mahboob Ahmed	5	5	0
Mr. Ahmed G. M. Randeree	5	2	3
Mr. Ali Raza Siddiqui	5	5	0
Mr. Hicham Hammoud	5	5	0
Mr. Hasan A. Bilgrami	5	5	0
Mr. Shabbir Ahmed Randeree	5	4	1
Mr. Mohamed Amiri	5	2	3
*Mr. Zaid Moosa Randeree	1	1	0

*Alternate Director

STATEMENT OF INTERNAL CONTROL

Statement of Management's Responsibility

It is the responsibility of the Bank's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Bank's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

Management Evaluation of the Effectiveness of the Bank Internal Control System

During the year under review efforts have been made for an effective and efficient internal control system. In accordance with SBP-BSD Circular No. 7 of 2004, the Bank formulated all the key policies and procedures for its different lines of business. While formulating such policies clear line of authority and responsibility have been established in order to ensure an effective internal control system. The Bank has established an audit function independent of line management. The control activities are being closely monitored across the bank through audit group / compliance & control, which covers all banking activities in general and key risk areas in particular. The Audit Committee of the Board reviews the audit function quarterly which includes program as well as surprise audits.

Internal control system in the Bank is designed to manage, rather than to eliminate the risk of failure to achieve the business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss. However, it is an on going process that includes identification, evaluation and management of significant risks faced by the Bank.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

For and On Behalf of the Board



Hasan A Bilgrami
Chief Executive Officer
March 07, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present, the Board includes six non-executive directors and one executive director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI, or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. Casual vacancy occurred in the Board during the year were duly filled after obtaining prior approval from the State Bank of Pakistan as per its directives.
5. The Bank has prepared Statement of Ethics and Business Practices which has been signed by majority of the Directors and employees of the Bank.
6. The Board has developed a vision and mission statement and an overall corporate strategy and significant policies of the Bank. A complete record of particulars of the significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms of conditions of the employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were preside over by the Chairman and, in his absence by a director elected by the Board for this purpose. Five meetings of the Board were held during the year. Written Agenda notices/e-mails of the Board meetings were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The management of the Bank had circulated a summary of provisions of various laws i.e. the Companies Ordinance 1984, the Code of Corporate Governance, the Banking Companies Ordinance 1962, the Prudential Regulations of the State Bank of Pakistan and the Listing Regulations of Karachi Stock Exchange as required clause (xiv) of the Code i.e. with respect of 'Orientation Course' of Directors to acquaint them of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of the shareholders.
10. There was no new appointment of the CFO, Company Secretary or Head of Internal Audit during the year ended December 31, 2010.
11. The Directors' Report for this year has been prepared in compliance with the requirement of the Code and fully described the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO & CFO before the approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive director including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed, approved by the Board and advised to the Committee for compliance.
17. The Board has set up an internal audit function, the members of which are considered suitably qualified and experienced for the purposes and are conversant with the policies and procedures of the Bank.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partner are in compliance with the international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with the pricing methodology for the transactions carried out on terms and conditions equivalent to those that prevail in the arms length transaction.
21. We confirm that all others material principles contained in the Code have been complied with.



Hasan A. Bilgrami
Chief Executive Officer
March 07, 2011

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2010 prepared by the Board of Directors of BankIslami Pakistan Limited (the Bank) to comply with the regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiry of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular number KSE / N-269 dated 19 January 2009 requires the Bank to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code, for the year under review.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi
March 07, 2011

SHARIAH ADVISER'S ANNUAL REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، و الصلاة والسلام على رسوله الكريم، و على آله
و أصحابه أجمعين، و بعداً!

Alhamdulillah almost five years have elapsed since the bank began its operations with the aim to provide Shariah compliant financial solutions to its customers. In addition to comply with Shariah standards in existing products, development of new solutions that adhere to Shariah requirements and conversion of interest bearing facilities into Islamic one have been the greatest achievement of BankIslami. Major areas to mention in this report are as follows:

Conversion of Citibank's Housing Portfolio:

Citibank is one of the world's biggest banks that uses interest based structures to finance customers' needs. Citibank's decision to close its housing finance business in Pakistan brought an opportunity for BankIslami to acquire its housing portfolio through Shariah compliant modes. This was the first transaction in Pakistan where an Islamic bank acquired portfolio of a conventional bank. The measure will not only pave the way for managing long term liquidity by inorganic growth but will broaden the outreach of Islamic financial services by getting more customers experienced with Shariah compliant solutions. The modal used for this acquisition was that of Hawalah and Wakalah. The value of the portfolio converted was Rs. 953.273 Million. However since the portfolio consists of interest based loans, the management of BankIslami is expected to complete conversion of the portfolio to Diminishing Musharaka based housing finance in soonest possible time.

New Product Development:

Besides structuring acquisition deal mentioned above, some other products were introduced in the area of consumer and corporate finance. To provide low income group with housing finance, 'inflater' model was developed that set lower initial installments. Some proposed and drafted structures for running finance and some new deposits products are under consideration.

Karobar Financing product was offered to Corporate Clients to cater to their working capital requirements and transactions of substantial value through this product were executed during the year.

Diminishing Musharakah agreements have been revised in order to improve Shariah standard of the documentation. Policies and procedures related to different products were amended in order to bring more transparency and clarity.

We have planned gradual conversion of Ijarah product to Diminishing Musharakah. This will make the product operationally more easy and facilitating to customer from Shari'ah perspective. The car financing product is planned to be transferred to this mode on priority.

Imparting Shariah Knowledge:

BankIslami has a system in place that ensures that every employee is trained in basic concepts of the Islamic banking. The program to impart Shariah knowledge ranges from class room lectures to case study solution and test conducting. Specialized product trainings for the relevant staff were executed that delivered in-depth and intensive Shariah knowledge of the concerned area. The data for Islamic banking training in 2010 is tabled below:

Training Type	Sessions held	Staff trained
Basic Concepts of Islamic Banking	27	530
Special Products Training	15	229

The coordination of Shariah/ Product Development team and Training and Organizational Development section for this valuable task has remained a matter I cannot leave without appreciation.

Composition of the bank's portfolio:

As of December 31st the outstanding position of the booked assets reveals that Murabahah comprises 41.46% of the total financing while Istisna stands at 8.71%. Ijarah and Diminishing Musharakah respectively account for 8.15% and 41.68%

Shariah Compliance:

Shariah compliance of the bank's affairs is ensured through an integrated system that incorporates pre-transaction process flow approval and post transaction compliance check on random basis. Annual review of executed transactions is carried out at the time of renewal of the facility. Any deviation between pre-transaction approved arrangement and actual execution is reported as non-compliance. This pre-transaction check makes it possible that transactions susceptible to Shariah violation are either screened out at the earlier stage or are subject to additional monitoring.

Another contribution to Shariah compliance comes from Internal Audit Department that prepares a report comprising Shariah issues observed during audit and places it before Shariah department. Internal audit department has been asked to adopt conservative approach in auditing the transactions so that no room is left for compromise on Shari'ah. Based on the audit report findings and further check by Shariah department, corrective measures are taken and where deemed necessary income is classified as charity.

As Murabahah comprises a major portion of our financing, direct payment is emphasized to increase the Shariah compliance of the transaction. However indirect payment is indispensable in certain sectors specially where cash payment to supplier is a norm. During 2010, around 85% of our Corporate Clients availing Murabahah facility were financed through direct payment to suppliers.

Based on the above, I report:

Each class of transactions with respect to the relevant documentation and procedures adopted by BankIslami has been examined on test check basis;

- In my opinion, the business affairs of BankIslami have been generally carried out in accordance with rules and principles of Shari'ah, SBP regulations and guidelines related to Shari'ah compliance and other rules as well as specific Fatwas and rulings issued by Shari'ah Board and

myself from time to time;

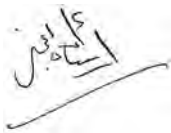
- In my opinion, the allocation of funds, weightages, profit sharing ratios, and profit relating to PLS accounts conform to the basis vetted by Shari'ah Board and myself in accordance with Shari'ah rules and principles;
- Income amounting to Rs. 265,106 was found as impure income due to Shariah violation and this amount has been accordingly credited to the Charity account.
- An amount of Rs. 5.504 Million was received from customers in respect of charity on delays in payments and credited to charity account.
- An amount of Rs. 4.4 Million has been disbursed from Charity fund during the year.

Recommendations:

Based on the observations made through Shariah review, reports and feedback from several areas I recommend the following:

- Extensive reporting, strengthening and improving Shariah audit function and aligning performance appraisal with Shariah compliance will serve as a tool for better Shariah compliance of the bank in this growing phase where larger network, bigger number of transactions and greater headcount has potential of normal operational Shari'ah deviations.
- Although the training has been given more consideration, still knowledge deficiency is found to be the main cause behind mistakes. A system should be in place that ensures down the line transmission of all instructions and guidelines issued from time to time. Also specially designed training programs should be introduced to further improve the knowledge and skills of the customer interacting staff.
- Islamic banks on individual as well as on collective basis make efforts to get central bank design and issue Shariah compliant government securities which could replace the Commodity Murabaha as SBP's corridor rates offered to conventional banks have no Islamic substitute.

May Allah keep us on the right way and help us do what pleases Him. Aameen.



Irshad Ahmad Aijaz
Shari'ah Adviser

و صَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَ بَارَكَ وَ سَلَّمَ

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **BANKISLAMI PAKISTAN LIMITED** (the Bank) as at 31 December 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for seven branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances (financings) covered more than sixty percent of the total loans and advances (financings) of the Bank, we report that:

- (a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policies as disclosed in note 5.1 to the accompanying financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2010 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We draw attention to note 1.2 to the accompanying financial statements which fully explains the matter regarding the Bank's capital shortfall and its future plans to meet the shortfall by issuing right shares. The State Bank of Pakistan has granted exemption to the Bank from Minimum Capital Requirement till 30 June 2011 subject to the condition mentioned in the said note. Our report is not qualified in this respect.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: **Omer Chughtai**

Karachi
March 07, 2011

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	Note	2010	2009 (Restated)	2008 (Restated)
----- Rupees in `000 -----				
ASSETS				
Cash and balances with treasury banks	8	3,035,148	4,217,515	2,175,413
Balances with other banks	9	569,622	2,059,550	2,207,490
Due from financial institutions	10	4,513,132	4,018,813	40,351
Investments	11	13,732,132	6,813,191	5,019,525
Financings	12	16,670,125	10,457,303	6,342,734
Operating fixed assets	13	2,066,680	2,395,304	1,910,648
Deferred tax assets	14	402,183	354,957	267,420
Other assets	15	4,046,681	3,955,159	1,120,924
		45,035,703	34,271,792	19,084,505
LIABILITIES				
Bills payable	16	563,020	485,608	353,646
Due to financial institutions	17	353,000	156,160	245,939
Deposits and other accounts	18	38,198,320	27,987,378	12,477,955
Sub-ordinated loan		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	19	1,154,977	917,332	819,239
		40,269,317	29,546,478	13,896,779
NET ASSETS		4,766,386	4,725,314	5,187,726
REPRESENTED BY				
Share capital	20	5,279,679	5,279,679	5,279,679
Reserves		9,310	-	-
Accumulated losses		(554,985)	(592,225)	(102,402)
		4,734,004	4,687,454	5,177,277
Surplus on revaluation of assets - net of deferred tax	21	32,382	37,860	10,449
		4,766,386	4,725,314	5,187,726
CONTINGENCIES AND COMMITMENTS	22			

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these financial statements.



Chairman



Chief Executive Officer



Director



Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009 (Restated)
		----- Rupees in `000 -----	
Profit / return on financings, investments and placements earned	23	3,806,209	2,177,145
Return on deposits and other dues expensed	24	2,057,533	1,222,169
Net spread earned		1,748,676	954,976
(Reversal)/ provision against non-performing financing - net	12.9	(7,424)	89,780
Provision for diminution in the value of investments	11.6	-	15,000
Provision against sukuk murabaha		-	6,418
Bad debts written off directly		-	-
Net spread after (reversal)/provisions		1,756,100	843,778
OTHER INCOME			
Fee, commission and brokerage income		87,821	37,854
Dividend income		1	-
Income from dealing in foreign currencies		60,276	278,054
Capital gain / (loss) on sale of securities - net		-	2,356
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	25	59,006	24,423
Total other income		207,104	342,687
		1,963,204	1,186,465
OTHER EXPENSES			
Administrative expenses	26	1,895,476	1,755,503
Other provisions / write offs	15.5	11,528	-
Other charges	27	11,657	10,617
Total other expenses		1,918,661	1,766,120
		44,543	(579,655)
Extra ordinary / unusual items		-	-
PROFIT/ (LOSS) BEFORE TAXATION		44,543	(579,655)
Taxation - Current		(42,269)	(12,465)
- Prior years		-	-
- Deferred		44,276	102,297
	28	2,007	89,832
PROFIT/ (LOSS) AFTER TAXATION		46,550	(489,823)
Accumulated losses brought forward		(592,225)	(102,402)
Transferred to Statutory Reserve		(9,310)	-
Accumulated losses carried forward		(554,985)	(592,225)
Basic earnings/ (loss) per share - Rupee	29	0.09	(0.93)
Diluted earnings/ (loss) per share - Rupee	29	0.09	(0.93)

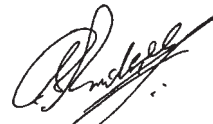
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Chairman



Chief Executive Officer



Director



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009 (Restated)
	----- Rupees in `000 -----	
Profit / (loss) after taxation	46,550	(489,823)
Other comprehensive income	-	-
Comprehensive income/ (loss) transferred to equity	<u>46,550</u>	<u>(489,823)</u>
Components of comprehensive income not transferred to equity		
Surplus on revaluation of available for sale securities	49,819	58,247
Deferred tax on surplus on revaluation of available for sale securities	(17,437)	(20,387)
	32,382	37,860
Total comprehensive income/ (loss) for the year	<u><u>78,932</u></u>	<u><u>(451,963)</u></u>

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these financial statements.


Chairman


Chief Executive Officer


Director


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009 (Restated)
----- Rupees in `000 -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (Loss) before taxation		44,543	(579,655)
Less: Dividend income		(1)	-
		<u>44,542</u>	<u>(579,655)</u>
Adjustments:			
Depreciation	13.2	333,686	305,284
Amortisation	26.2	27,798	25,453
Depreciation on operating Ijarah assets	12.7	89,403	29,266
(Reversal) / Provision against non-performing financings	12.9	(7,424)	89,780
Provision for diminution in the value of investments		-	15,000
Provision against other assets	15.5	11,528	-
Provision against sukuk murabaha		-	6,418
Gain on sale of property and equipment - net		(20,260)	(192)
Deferred cost amortised	26.2	16,083	16,083
		<u>450,814</u>	<u>487,092</u>
		<u>495,356</u>	<u>(92,563)</u>
Increase in operating assets			
Due from financial institutions		(494,319)	(3,984,880)
Financings		(6,294,801)	(4,233,615)
Others assets (excluding advance taxation and deferred cost)		(126,682)	(2,856,128)
		<u>(6,915,802)</u>	<u>(11,074,623)</u>
Increase / (decrease) in operating liabilities			
Bills payable		77,412	131,962
Due to financial institutions - net		196,840	(89,779)
Deposits and other accounts		10,210,942	15,509,423
Other liabilities		237,645	98,093
		<u>10,722,839</u>	<u>15,649,699</u>
		<u>4,302,393</u>	<u>4,482,513</u>
Income tax paid		(34,720)	(6,656)
Net cash generated from operating activities		<u>4,267,673</u>	<u>4,475,857</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(6,927,369)	(1,766,494)
Dividend received		1	-
Investment in operating fixed assets		(68,839)	(817,702)
Sale proceeds of operating fixed assets disposed off		56,239	2,501
Net cash used in investing activities		<u>(6,939,968)</u>	<u>(2,581,695)</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(2,672,295)</u>	<u>1,894,162</u>
Cash and cash equivalents at beginning of the year		6,277,065	4,382,903
Cash and cash equivalents at end of the year	30	<u>3,604,770</u>	<u>6,277,065</u>

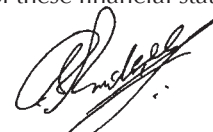
The annexed notes from 1 to 41 and Annexure 1 form an integral part of these financial statements.



Chairman



Chief Executive Officer



Director



Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

	Share capital	Statutory Reserve	Accumulated losses	Total
-----Rupees in '000 -----				
Balance as at January 01, 2009				
- as previously reported	5,279,679	-	(98,307)	5,181,372
Effect of changes in accounting policy (Note 5.1.1)	-	-	(4,095)	(4,095)
Balance as at January 01, 2009 - Restated	5,279,679	-	(102,402)	5,177,277
Net loss for the year - Restated	-	-	(489,823)	(489,823)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year ended				
December 31, 2009 - Restated	-	-	(489,823)	(489,823)
Balance as at December 31, 2009 - Restated	5,279,679	-	(592,225)	4,687,454
Net profit for the year	-	-	46,550	46,550
Other comprehensive income	-	-	-	-
Total comprehensive income for the year ended				
December 31, 2010	-	-	46,550	46,550
Transfer to statutory reserve	-	9,310	(9,310)	-
Balance as at December 31, 2010	5,279,679	9,310	(554,985)	4,734,004

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these financial statements.



Chairman



Chief Executive Officer



Director



Director

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

1. STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The Bank was granted a 'Scheduled Islamic Commercial Bank' license on March 18, 2005, and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 102 branches including 32 sub branches (2009: 102 branches including 32 sub branches) as at December 31, 2010. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

- 1.2 The State Bank of Pakistan (SBP) vide circular No. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for Banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) as of December 31, 2009 was Rs. 6 billion and for the current year ended December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank (free of losses) as of December 31, 2010 amounts to Rs. 4.734 billion. In view of the above capital requirements, the Board of Directors of the Bank in their meeting held on February 07, 2011 has in principle agreed to issue right shares to increase its capital (free of losses) to Rs. 6 billion. Further, SBP vide its letter No. BSD/BAI-3/608/2773/2011 dated March 07, 2011 has granted the Bank exemption from its MCR till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs. 6 billion well before June 30, 2011.

2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in accordance with the requirements of State Bank of Pakistan (SBP) vide BSD Circular No. 4 dated February 17, 2006. Further, with effect from the current year, "balance sheet" has been renamed as "statement of financial position" keeping in view the requirement of BSD Circular letter No. 07 dated April 20, 2010 issued by SBP.
- 2.2 The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha and Ijarah transactions (which are accounted for under the Islamic Financial Accounting Standard - 1 and - 2), the purchases, sales and rentals arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of rental / profit thereon. Income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable.
- 2.3 These financial statements are separate financial statements of the Bank in which investments in subsidiary are accounted for on the basis of direct equity interest and are not consolidated. The consolidated financial statements of the Group are being issued separately.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

- 3.2 SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for Banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS 7 "Financial Instruments: Disclosures" has not been made applicable to banks. 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 requirement of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain financial instruments which have been marked to market and are carried at fair value as stated in note 5.3 and commitments in respect of certain foreign exchange contracts are valued at market rates in accordance with the requirements of State Bank of Pakistan.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended December 31, 2009, except for changes mentioned in note 5.1.1 and 5.1.2 to the financial statement.

5.1.1 Change in accounting policy in respect of 'revenue recognition on Istisn'a

During the year, the Bank has changed its accounting policy in respect of 'revenue recognition on Istisn'a'. The Bank now recognizes profit on Istisn'a financing from time of sale of goods till the realization of sale proceeds by the Bank. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting estimates and Errors". Previously, profit from Istisn'a was recognized on time proportion basis from the date of the contract till the realization of the sale proceeds by the Bank.

The change in accounting policy has the following effects on these financial statements.

	2010	2009	2008
	----- Rupees in `000 -----		
(Decrease)/ increase in deferred tax assets	(5,188)	7,941	2,163
(Decrease) in other assets	(7,818)	(22,920)	(6,258)
Increase in other liabilities	306	-	-
Increase in statutory reserve	334	-	-
Increase in accumulated loss	13,642	14,979	4,095
Increase/ (decrease) in profit / return on financings, investments and placements earned	15,259	(16,746)	(3,845)
Increase in administrative expenses	306	-	-
Increase/ (decrease) in current tax	152	(84)	-
	Rupee	Rupee	Rupee
Increase in earnings/ (loss) per share	0.003	(0.02)	(0.01)

The following corresponding figures have been reclassified as follows:

Year	From	To	Amount (Rupees in '000)
2009	Financings	Other assets	2,824,849
2008	Financings	Other assets	184,797

5.1.2 New/ revised standards, amendments and interpretations adopted during the year.

The Bank has adopted the following new and amended IFRS and related interpretations which became effective during the year:

- IFRS 2 - Share Based Payment: Amendments relating to Group Cash-Settled Share based payment transactions.
IFRS 3 - Business combination (revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendments)

IFRIC 17 - Distribution of Non-cash Assets to owners.

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2008

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 - Share-based Payments

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 36 - Impairment of Assets

IAS 38 - Intangible Assets

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements of the Bank.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and balances with other banks in current and deposit accounts.

5.3 Investments

In accordance with BSD Circular No.10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by SBP, the Bank classifies its investment portfolio into 'held for trading', 'held to maturity' and 'available for sale' securities as follows:

Held for trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices or dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

Investments are initially recognised at cost which in case of investments other than 'held for trading' includes transaction costs associated with the investment.

In accordance with the requirements of SBP, quoted securities other than those classified as held to maturity are stated at market value. Investments classified as held to maturity are carried at amortised costs less impairment, if any. Unquoted securities and investment in subsidiary are valued at cost less impairment, if any.

Surplus / (deficit) arising on revaluation of the Bank's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in "Surplus / Deficit on Revaluation of Securities account" and is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account.

Profit and loss on sale of investments is included in profit and loss currently.

Premium or discount on debt securities classified as available for sale is amortised using effective interest method and taken to the profit and loss account.

5.4 Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Financings

Financings are financial products originated by the Bank and principally comprise Murabaha, Istisn'a, Ijarah, Salam, Musawamah and Diminishing Musharaka receivables. These are stated at amortised cost (except for Ijarah under IFAS 2 and Murabaha which is accounted for at gross receivable) net of general and specific provisions.

Provision against non-performing financing is made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to profit and loss account. Specific provisions are made for identified doubtful financing in addition to general provisioning requirements. Financings are written off when there is no realistic prospect of recovery.

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

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisn'a is an order to manufacture or construct some assets. The Bank purchases marketable / exportable goods under Istisn'a mode and sells them through an agent.

Ijarah is a contract in which the Bank buys and rents a productive asset to a person short of funds and in need of that asset.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawamah is a sale transaction in which price of a commodity to be traded is bargained between seller and the purchaser without any reference to the cost incurred by the seller.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.6 Operating fixed assets

5.6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 13.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

The carrying values of property and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Gain and loss on disposal of assets are included in profit and loss currently.

5.6.2 Capital work in progress

These are stated at cost less impairment, if any.

5.6.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 13.3 to the financial statements.

Amortization on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

5.7 Taxation

5.7.1 Current taxation

Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

5.7.2 Deferred taxation

Deferred tax is provided using the balance sheet liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and un-absorbed tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and un-absorbed tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the statement of financial position date.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 'Income Taxes'.

5.8 Staff retirement benefits

5.8.1 Defined benefit plan

The Bank operates an approved and unfunded gratuity scheme for all of its permanent employees. The contribution to the scheme is made on the basis of actuarial recommendations. Actuarial valuation is carried out at each year end using the Projected Unit Credit Method. The latest actuarial valuation was conducted as at December 31, 2010. Actuarial gains and losses are recognised as income or expense over the average remaining working lives of the employees, if the net cumulative unrecognised actuarial gains or losses for the Scheme at the end of the previous financial year exceed 10% of the higher of defined benefit obligation and the fair value of the plan assets.

5.8.2 Defined contribution plan

The Bank operates an approved funded contributory provident fund scheme for all of its permanent employees. Equal monthly contributions are made both by the Bank and the employees at the rate of 10 % of the basic salary. The Bank has no further payment obligations once the contributions have been paid. The contribution made by the Bank is recognised on employee benefit expense when they are done.

5.9 Revenue recognition

5.9.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

5.9.2 Profit from Istisn'a is recorded on accrual basis commencing from the time of sale of good till realization of proceeds by the Bank. Profit from Diminishing Musharaka, Salam and Musawamah are recognised on a time proportionate basis.

5.9.3 Profit from Ijarah contracts is recognised on a pattern reflecting a constant periodic return on the net investment outstanding in accordance with International Accounting Standard 17 "Leases".

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

5.9.4 Profit on diminishing Musharaka is recognised on an accrual basis.

5.9.5 Provisional profit of Musharaka / Modaraba financing is recognised on accrual basis. Actual profit / loss on Musharaka and Modaraba financings is adjusted for declaration of profit by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

5.9.6 Profit on classified financing is recognised on receipt basis.

5.9.7 Dividend income is recognised when the right to receive dividend is established.

5.9.8 Gains and losses on sale of investments are included in profit and loss currently.

5.9.9 Commission on letters of credit, acceptances and guarantees is recognised on receipt basis, except for commission on guarantees in excess of Rs. 50,000 which is recognized over the period of guarantee. Fee and brokerage income are recognised when earned.

5.10 Financial instruments

5.10.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities are recognised in the profit and loss account of the current period.

5.10.2 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.10.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to profit and loss currently.

5.11 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.12 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

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

5.13 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the financial statements.

5.14 Provisions

Provision are recognised when the Bank has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Charge to profit and loss account is stated net off expected recoveries.

5.15 Deferred costs

These represent preliminary, formation and pre-operating cost and expenses incurred on issue of shares. These are being amortised over a period of five years.

5.16 Impairment

The carrying amount of assets is reviewed at each statement of financial position date for impairment whenever events of changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such indication exists, and where the carrying amount exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

5.17 Segment reporting

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

5.17.1 Business Segments

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Retail Banking

It includes retail financings, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Support Center

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

5.17.2 Geographical Segments

The Bank has 102 branches including 32 sub branches (2009: 102 branches including 32 sub branches) and operates only in Pakistan.

5.18 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain doubtful financings. These are stated at lower of the net realizable value of the related advances and the current fair value of such assets.

6. ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 12 - Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Bank expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Bank's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Bank expects that such improvements to the standards will not have any material impact on Bank's financial statements in the period of initial application.

7. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

	<u>Note</u>
Classification of investments/ provision for diminution in value of investments	5.3 & 11
Useful lives of assets and methods of depreciation / amortisation	5.6 & 13
Current and deferred taxation	5.7 & 14
Provision against non-performing financings	5.5 & 12.8
Defined benefit plan	5.8.1 & 32

	Note	2010	2009
		----- Rupees in `000 -----	
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		653,801	829,014
- foreign currencies		<u>159,600</u>	<u>117,355</u>
		<u>813,401</u>	<u>946,369</u>
With State Bank of Pakistan in			
- local currency current accounts	8.1	1,610,620	2,564,617
- foreign currency deposit accounts			
- Cash Reserves		<u>30,401</u>	<u>29,484</u>
- Special Cash Reserves		<u>35,967</u>	<u>35,803</u>
- US Dollar Clearing Account		<u>19,264</u>	<u>23,205</u>
	8.2	<u>85,632</u>	<u>88,492</u>
		<u>2,509,653</u>	<u>3,599,478</u>
With National Bank of Pakistan in			
- local currency current accounts		<u>525,495</u>	<u>618,037</u>
		<u>3,035,148</u>	<u>4,217,515</u>

8.1 Represents Rs.1,610.620 million (2009: Rs.2,302.563 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement which is to be maintained to comply with the requirements of SBP issued from time to time.

8.2 Includes Rs.64.058 million (2009: Rs.63.506 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. Balance amount is available to the Bank for its operations. These deposits do not carry any return.

	Note	2010	2009
		----- Rupees in `000 -----	
9. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		<u>19,221</u>	16,015
- on deposit accounts	9.1	<u>355</u>	<u>1,539,014</u>
		<u>19,576</u>	<u>1,555,029</u>
Outside Pakistan			
- on current accounts		<u>550,046</u>	<u>504,521</u>
		<u>569,622</u>	<u>2,059,550</u>

- 9.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than a month. The expected profit rates on these arrangements ranges from 5 % and 10.2 % (2009: 5 % to 9.5 %) per annum.

	Note	2010	2009
----- Rupees in `000 -----			
10. DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	10.1	6,418	6,418
Commodity Murabaha - local currency	10.2	4,513,132	2,218,813
	10.3	4,519,550	2,225,231
Musharaka Placement		-	1,800,000
		4,519,550	4,025,231
Provision against Sukuk Murabaha		(6,418)	(6,418)
		4,513,132	4,018,813

- 10.1 The Bank entered into Sukuk Murabaha arrangement under which the Bank appoints its client as an agent under asset purchase agreement to purchase the underlying Sukuks from the open market on its behalf and later sells them on deferred Murabaha basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

- 10.2 The Bank has entered into Commodity Murabaha agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the Commodity Murabaha ranges from 12.75% to 13% (2009: 11.5% to 12.4%) per annum and have a maturity ranging from 3 days to 14 days.

	2010	2009
----- Rupees in `000 -----		
10.3 Murabaha sale price	544,831,409	25,898,652
Purchase price	(543,915,000)	(25,850,000)
	916,409	48,652
Deferred Murabaha income		
Opening balance	7,002	582
Deferred during the year	916,409	48,652
Recognised during the year	(912,937)	(42,232)
	10,474	7,002
Murabaha receivable		
Opening balance	2,225,231	40,351
Sales during the year	544,831,409	25,898,652
Received during the year	(542,537,090)	(23,713,772)
	4,519,550	2,225,231
10.4 Particulars of due from financial institutions		
In local currency	4,513,132	4,018,813

11. INVESTMENTS

	Note	2010			2009		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
----- Rupees in `000 -----							
11.1 Investments by types							
Available for sale securities							
- Sukuk Certificates	11.3	13,506,277	-	13,506,277	6,578,908	-	6,578,908
- Mutual Funds							
Open end mutual funds	11.4	15	-	15	15	-	15
Closed end mutual fund	11.4	6	-	6	6	-	6
		<u>13,506,298</u>	<u>-</u>	<u>13,506,298</u>	<u>6,578,929</u>	<u>-</u>	<u>6,578,929</u>
Subsidiary							
- Unlisted company	11.5	191,015	-	191,015	191,015	-	191,015
Total investment at cost		<u>13,697,313</u>	<u>-</u>	<u>13,697,313</u>	<u>6,769,944</u>	<u>-</u>	<u>6,769,944</u>
Less: provision for diminution in value of investments	11.6	(15,000)	-	(15,000)	(15,000)	-	(15,000)
Investments - net of provision		<u>13,682,313</u>	<u>-</u>	<u>13,682,313</u>	<u>6,754,944</u>	<u>-</u>	<u>6,754,944</u>
Surplus on revaluation of available for sale securities	21.1	49,819	-	49,819	58,247	-	58,247
Total investments at market value		<u>13,732,132</u>	<u>-</u>	<u>13,732,132</u>	<u>6,813,191</u>	<u>-</u>	<u>6,813,191</u>

	Note	2010	2009
		----- Rupees in `000 -----	
11.2 Investments by segments			
Federal government securities:			
- Sukuk certificates	11.3	9,750,000	2,250,000
Fully paid up ordinary shares:			
- Unlisted subsidiary company	11.5	191,015	191,015
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Sukuk certificates	11.3	3,756,277	4,328,908
Other investments			
- Mutual Funds			
Open end mutual funds	11.4	15	15
Closed end mutual fund	11.4	6	6
		<u>13,697,313</u>	<u>6,769,944</u>
Total investments at cost		<u>13,697,313</u>	<u>6,769,944</u>
Less: provision for diminution in value of investments and impairment	11.6	(15,000)	(15,000)
Investments - net of provision		<u>13,682,313</u>	<u>6,754,944</u>
Surplus on revaluation of available for sale securities	21.1	49,819	58,247
Total investments at market value		<u>13,732,132</u>	<u>6,813,191</u>

11.3 Details of investment in Sukuk

Name of the investee company	Note	2010	2009	Face Value (Rupees)	2010	2009	2010	2009
		Number of Certificates			Cost Rupees in `000	Cost Rupees in `000	Instrument rating	
Sukuk Certificates								
Federal Government								
Ijarah GOP Sukuk - 1	11.3.1	2,500	2,500	100,000	250,000	250,000	Unrated	Unrated
Ijarah GOP Sukuk - 3	11.3.2	20,000	20,000	100,000	2,000,000	2,000,000	Unrated	Unrated
Ijarah GOP Sukuk - 5	11.3.3	50,000	-	100,000	5,000,000	-	Unrated	Unrated
Ijarah GOP Sukuk - 6	11.3.4	25,000	-	100,000	2,500,000	-	Unrated	Unrated
					<u>9,750,000</u>	<u>2,250,000</u>		
Others								
First WAPDA Sukuk	11.3.5	60,000	60,000	5,000	299,453	299,213	Unrated	Unrated
Second WAPDA Sukuk	11.3.6	134,000	134,000	5,000	668,555	668,238	Unrated	Unrated
KSEW Sukuk-1	11.3.7	38,000	38,000	5,000	190,000	190,000	Unrated	Unrated
KSEW Sukuk-2	11.3.8	92,800	92,800	5,000	464,000	464,000	Unrated	Unrated
Pak Elektron Sukuk	11.3.9	60,000	60,000	5,000	171,429	257,143	A+	A+
Amtex Sukuk	11.3.10	59,000	59,000	5,000	221,250	295,000	Default	A-
Engro Chemical Sukuk	11.3.11	65,000	65,000	5,000	322,005	321,574	AA	AA
Security Leasing Sukuk	11.3.12	2,000	2,000	5,000	6,094	7,500	Unrated	BBB-
Shahmurad Sugar Mills Sukuk	11.3.13	250	250	1,000,000	166,667	250,000	A-	A-
Second Sitara Chemicals Sukuk	11.3.14	10,000	10,000	5,000	12,500	25,000	AA-	AA-
Third Sitara Chemicals Sukuk	11.3.15	8,000	8,000	5,000	30,000	40,000	AA-	AA-
Sitara Energy Sukuk - 1	11.3.16	6,000	6,000	5,000	12,413	18,413	Unrated	Unrated
Sitara Energy Sukuk - 2	11.3.17	4,000	4,000	5,000	8,000	12,000	Unrated	Unrated
New Allied Electronics (LG) Sukuk	11.3.18	11,000	11,000	5,000	55,000	55,000	Default	Default
Sui Southern Gas Company Sukuk	11.3.19	84,000	84,000	5,000	336,000	420,000	AA	AA
Kohat Cement Sukuk	11.3.20	27,000	27,000	5,000	130,410	130,410	Withdrawn	Withdrawn
Eden Housing Sukuk	11.3.21	50,000	50,000	5,000	187,500	218,750	A	A
Eden Developers Sukuk		-	40,000	5,000	-	100,000	N/A	BBB-
Optimus Sukuk	11.3.22	50,000	50,000	5,000	187,501	229,167	A	A
LESCO Sukuk	11.3.23	42,000	42,000	5,000	210,000	210,000	Unrated	Unrated
HBFC Sukuk	11.3.24	15,000	15,000	5,000	52,500	67,500	A+	A+
Haq Bahu Sugar Mill Sukuk - 1	11.3.25	10,000	10,000	5,000	25,000	50,000	Unrated	Unrated
					<u>3,756,277</u>	<u>4,328,908</u>		
					<u>13,506,277</u>	<u>6,578,908</u>		

- 11.3.1** The profit rate on these sukuk comprises of six months weighted average yield of six month market T-Bills plus 45 basis points. The principal will be redeemed on maturity in September 2011. These are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 254,050 thousand (2009: Rs. 252,482 thousand).
- 11.3.2** The profit rate on these sukuk comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in March 2012. These are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 2,030,000 thousand (2009: Rs. 2,040,000 thousand).
- 11.3.3** The profit rate on these sukuk comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in November 2013. These are backed by Government of Pakistan's Sovereign Guarantee.
- 11.3.4** The profit rate on these sukuk comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in November 2013. These are backed by Government of Pakistan's Sovereign Guarantee.
- 11.3.5** These carry profit at the rate of six months KIBOR plus 35 basis points (2009: six months KIBOR plus 35 basis points) receivable on semi-annual basis with maturity in October 2012. The principal will be repaid on maturity. The purchase price and rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 311,610 thousand (2009: Rs. 311,610 thousand).

During last year, the Bank had purchased 10,000 certificates on June 25, 2009 of WAPDA - 1 Sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The Bank and its legal advisors are of the view that the security and the rental purchased through CDC is deemed to be legally bona fide and the issuer itself in the FIR has conceded that a fraud was committed in its office by certain employees, some of whom have been arrested and part of the money have been recovered. The Bank's legal advisor is certain that the Bank will be able to recover the rental therefore no provision has been made in these financial statements.

- 11.3.6** These carry profit at the rate of six months KIBOR minus 25 basis points (2009: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal will be repaid in 12 equal semi-annual installments with first installment falling due on the 54th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 674,154 thousand (2009: Rs 674,154 thousand).
- 11.3.7** These carry profit at the rate of six months KIBOR plus 40 basis points (2009: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments commencing from the 54th month from the date of first draw down. The principal and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 11.3.8** These carry profit at the rate of six months KIBOR plus 40 basis points (2009: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments starting from May 2012. The principal and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 11.3.9** These carry profit at the rate of three months KIBOR plus 175 basis points (2009: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2012. The principal will be redeemed in 14 consecutive quarterly installments, the first such installment falling due not later than the end of 21st month from the date of issue of Sukuk. As a security first pari passu charge is provided on all present and future fixed assets of the company with 25% margin. There is an early purchase option available to the issuer after 30 months from the date of issue.
- 11.3.10** These carry profit at the rate of three months KIBOR plus 200 basis points (2009: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in October 2012. The principal will be redeemed in 12 consecutive quarterly installments, the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuk are backed by guarantee of Rs. 740 million from a Bank. During the year, Amtex has defaulted on its principal repayment. Consequently the Bank has suspended the accrual of profit from the Sukuk. Subsequent to the year end, the Bank has called the underlying guarantee.
- 11.3.11** These carry profit at the rate of six months KIBOR plus 150 basis points (2009: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharaka mechanism with maturity in September 2015. Principal repayment to be made in two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility. As a security first pari passu charge is provided on all present and future fixed assets of the Company with margin.
- 11.3.12** These Sukuks have been restructured during the year. After restructuring these Sukuks carry profit at the rate of 6% (3% cash + 3% accrual) (2009: six months KIBOR plus 195 basis points) upto September 2011 receivable monthly and thereafter at the rate of 1 month KIBOR upto maturity. The accrued profit amount to be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As a security first pari passu charge over specific leased assets and associated lease receivables with 25% security margin is provided.
- 11.3.13** These carry profit at the rate of six months KIBOR plus 225 basis points (2009: six months KIBOR plus 225 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. The principal is to be redeemed in 6 consecutive semi-annual installments, the first such installment falling due not later than the end of 30th month from the date of issue. As a security first hypothecation charge over Fixed Assets of the company and a bank guarantee from an Investment Bank of Rs. 100 million. There is an early purchase option available to the issuer after 2 years from the date of issue.

- 11.3.14** These carry profit at the rate of three months KIBOR plus 170 basis points (2009: three months KIBOR plus 170 basis points) receivable quarterly based on Diminishing Musharaka mechanism, with maturity in December 2011. The principal will be redeemed in 16 consecutive quarterly installments. As a security exclusive first pari passu charge on underlying fixed assets (19 MW Gas Fired Power Project) is provided.
- 11.3.15** These carry profit at the rate of three months KIBOR plus 100 basis points (2009: three months KIBOR plus 100 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. The principal will be redeemed in 12 equal quarterly installments the first such installment falling due on the 27th month from the date of first draw down. As a security specific and exclusive hypothecation charge in respect of the Musharaka assets in favour of the Investors to the extent of entire legal ownership rights of the company (covering the entire amount of Sukuk along with an 18.22% margin) is provided. There is an early purchase option available to the issuer after 2 years of disbursement with 'No Early Payment Penalty'.
- 11.3.16** These carry profit at the rate of six months KIBOR plus 195 basis points (2009: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin is provided.
- 11.3.17** These carry profit at the rate of six months KIBOR plus 195 basis points (2009: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin is provided.
- 11.3.18** These carry profit at the rate of three months KIBOR plus 220 basis points (2009: three months KIBOR plus 220 basis points) receivable semi-annually with maturity in December 2012. The principal will be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 300 million, first pari passu charge over all present and future current assets amounting to Rs. 800 million of the company, irrevocable guarantee of A+ rated Financial Institution and Personal Guarantee of sponsoring directors is provided. There is an early purchase option available to the issuer after 2 years of disbursement. A provision for diminution in value of investment amounting to Rs. 15 million has been made against the principal.
- 11.3.19** These carry profit at the rate of three months KIBOR plus 20 basis points (2009: three months KIBOR plus 20 basis points) receivable quarterly based on Diminishing Musharaka mechanism having a tenor of 5 years with maturity in December 2012. The principal will be repaid in 10 consecutive quarterly installments, the first installment falling due on end of 33rd month from the last draw down. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin is provided. There is an early purchase option available to the issuer after 1 year of disbursement.
- 11.3.20** These Sukuks have been restructured during the year. After restructuring these Sukuks carry profit at the rate of three months KIBOR plus 180 basis points (2009: six months KIBOR plus 180 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2015. As a security first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount, along with 25% margin and first ranking mortgage over all present and future immoveable properties of the Company with a 25% margin over the facility amount is provided. The principal redemption will start from September 2012 till December 2015 and will be calculated using the percentage as mentioned in "Restructuring Agreement".
- 11.3.21** These Sukuks have been restructured during the year. After restructuring these Sukuks carry profit at the rate of three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014 (2009: six months KIBOR plus 250 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in June 2014. The remaining principal redemption will start from September 2010 till June 2014 and will be calculated using the percentage as mentioned in "Restructuring Agreement". As a security charge over hypothecated assets amounting to Rs. 2,445 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) is created by the issuer in favour of the trustee.
- 11.3.22** These carry profit at the rate of six months KIBOR plus 125 basis points (2009: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly installments, the first such installment falling due not later than the end of 15th month from the last drawdown. As a security, first specific charge on specified

vehicles amounting to Rs. 250 million of the company (on market value to be established every year by approved valuator) and a 25% margin over the principal amount in the form of first floating charge on the company's present and future current assets is provided.

11.3.23 These carry profit at the rate of six months KIBOR plus 90 basis points (2009: six months KIBOR plus 10 basis points) receivable semi-annually. It is backed by the unconditional, irrevocable and continuing Guarantee of Government of Pakistan. The maturity of the Sukuk was in April 2010 which was extended to July 2010. Whereas it is proposed to Ministry of Finance to roll-over the Sukuk to July 2011 and the majority of Sukuk holders have agreed for the same but the period is not yet defined and the matter is under consideration by Ministry of Finance.

11.3.24 These carry profit at the rate of six months KIBOR plus 100 basis points (2009: six months KIBOR plus 100 basis points) receivable semi-annually and the first such profit payment will fall due from the six months from the issue date with maturity in May 2014. As a security first charge over specific assets of the Company with 25% security margin is provided. The principal will be redeemed in 10 equal semi-annual installments starting from 18th month of the date of issue of Sukuk.

11.3.25 These carry profit at the rate of six months KIBOR plus 325 basis points (2009: six months KIBOR plus 325 basis points) receivable semi-annually, the first profit payment shall fall due at the end of six months from the issue date and subsequently after every six months thereafter with maturity in August 2011. As a security first pari passu charge on all present and future fixed assets of the company with 25% margin and a personal guarantee of sponsoring directors of the Company is provided. The principal will be redeemed in 4 consecutive semi-annual installments; the first such installment will become due not later than the end of 18th month from the last draw down.

11.4 Details of investments in Mutual Funds

Name of the investee Fund	2010	2009	2010	2009	2010	2009	2010	2009
	Number of Units		Mark value (Rupees in '000)		Cost (Rupees in '000)		Entity rating Long term/short term	
Open end mutual funds								
Al Meezan Cash Fund	112	99	6	5	5	5	AA (f)	AA (f)
Meezan Islamic Fund	134	108	6	5	5	5	5 Star	3 Star
Meezan Islamic Income Fund	104	98	5	5	5	5	A+ (f)	A+ (f)
			<u>17</u>	<u>15</u>	<u>15</u>	<u>15</u>		
Closed end mutual fund								
Meezan Balanced Fund	1,000	1,000	7	6	6	6	AM2	AM2
			<u>24</u>	<u>21</u>	<u>21</u>	<u>21</u>		

11.5 Details of investment in unlisted subsidiary

	Holding %	Breakup value per share Rs.	Cost	
			2010	2009
			----- Rupees in `000 -----	
BankIslami Modaraba Investments Limited Chief Executive Mr. Zulfiqar Ali 8,000,000 (2009: 8,000,000) Ordinary shares of Rs.10/- each	100	18.46	<u>191,015</u>	<u>191,015</u>

Breakup value per share is based on the reviewed financial statements for the half year ended December 31, 2010.

11.6 Particulars of provision for diminution in value of investments

	2010	2009
	----- Rupees in `000 -----	
Opening balance	15,000	-
Charge for the year	-	15,000
Reversals	-	-
Closing balance	<u>15,000</u>	<u>15,000</u>

11.6.1 Particulars of provision in respect of type and segment

Sukuk certificates - Available for sale securities	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

12. FINANCINGS	Note	2010	2009 (Restated)
----- Rupees in `000 -----			
Financings - in Pakistan			
- Murabaha	12.1 & 12.2	6,870,285	4,180,471
- Istisn'a	12.1	1,445,000	-
- Diminishing Musharaka - Housing		946,765	761,743
- Diminishing Musharaka - Others		5,161,718	3,889,569
- Against Bills - Murabaha		9,575	-
- Against Bills - Musawamah		2,640	7,948
- Musawamah		-	150,000
- Financings to employees	12.5 & 12.10	400,381	300,052
		<u>14,836,364</u>	<u>9,289,783</u>
Housing Finance Portfolio	12.3	809,277	-
Net investment in Ijarah financings in Pakistan	12.6	706,358	1,230,034
Net book value of assets/investment in Ijarah under IFAS 2	12.7	647,098	187,195
Financings - gross		<u>16,999,097</u>	<u>10,707,012</u>
Provision for non-performing financings	12.8 & 12.9		
- Specific		(296,681)	(230,928)
- General		(32,291)	(18,781)
Financings - net of provision		<u>16,670,125</u>	<u>10,457,303</u>

12.1 Murabaha includes financings amounting to Rs. 390.761 million (2009: Rs.169.186 million) against Murabaha under Islamic Export Refinance Scheme.

Istisn'a Includes financings amounting to Rs. 50 million (2009: Rs. 42.020 million) against Istisn'a under Islamic Export Refinance Scheme.

	2010	2009
----- Rupees in `000 -----		
12.2 Murabaha sale price	17,829,687	7,698,756
Murabaha purchase price	(17,117,952)	(7,445,953)
	<u>711,735</u>	<u>252,803</u>
Deferred Murabaha income		
Opening balance	81,312	87,584
Deferred during the year	711,735	252,803
Recognised during the year	(632,906)	(259,075)
	<u>160,141</u>	<u>81,312</u>
Murabaha receivable		
Opening balance	4,180,471	2,363,736
Sales during the year	17,829,687	7,698,756
Received during the year	(15,139,873)	(5,882,021)
	<u>6,870,285</u>	<u>4,180,471</u>

12.3 During the year, the Bank acquired the housing finance portfolio of CitiBank, N.A. - Pakistan Branches ("the acquired portfolio") under Shariah Compliant Structure of Hawalah (assignment of debt) and Wakalah Lil Qabz (recovery agency) amounting to Rs. 953.273 million. The acquisition has duly been approved by the State Bank of Pakistan vide letter no BPRD (R&P-02)/625-93/2010/9690 dated December 06, 2010 and by the Competition Commission of Pakistan vide letter no 169/CCP/MERGER/2009 dated December 24, 2010. The Bank has settled a loan amount of Rs 722.590 million with CitiBank, N.A. - Pakistan Branches against the acquired portfolio.

The Bank intends to convert the acquired portfolio to Shariah Compliant Diminishing Musharika based facility "Muskun". Portion of the acquired portfolio will be classified as Diminishing Musharaka "Muskun" upon the satisfactory completion of the conversion of the housing portfolio to Muskun by the customer. No income shall be recognized on the acquired portfolio which has not been converted to Shariah Compliant "Muskun" facility. Such unrecognized income shall be paid as charity. The acquired portfolio carries a provision amounting to Rs. 86.687 million in accordance with the Prudential Regulations of the SBP. The gain arising on the acquired portfolio has been deferred in the financial statements and will be realized in the profit and loss account on proportionate basis.

12.4 Particulars of financings	2010	2009 (Restated)
	----- Rupees in `000 -----	
12.4.1 In local currency	<u>16,999,097</u>	<u>10,707,012</u>
12.4.2 Short-term (for upto one year)	11,649,194	5,778,393
Long-term (for over one year)	5,349,903	4,928,619
	<u>16,999,097</u>	<u>10,707,012</u>
12.5 This includes Rs. 2.259 million (2009: Rs. 1.609 million) mark up free financing to employees advanced under Bank's Human Resource Policy.		

12.6 Net investment in Ijarah financings

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees in `000 -----							
Ijarah rentals receivable	178,114	425,153	-	603,267	588,673	652,768	-	1,241,441
Residual value	109,008	149,725	-	258,733	16,981	302,297	-	319,278
Minimum Ijarah payments	287,122	574,878	-	862,000	605,654	955,065	-	1,560,719
Future rental income	(40,855)	(114,787)	-	(155,642)	(102,452)	(228,233)	-	(330,685)
Present value of minimum Ijarah payments	246,267	460,091	-	706,358	503,202	726,832	-	1,230,034

12.7 Ijarah Assets

	2010							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2010	Rate of depreciation %
	As at January 01, 2010	Additions / (deletions)	As at December 31, 2010	As at January 01, 2010	Charge / (deletions)	As at December 31, 2010		
	----- Rupees in `000 -----							
Plant and Machinery	61,356	119,639	180,995	8,393	20,990	29,383	151,612	20-33.33
Vehicles	155,105	431,704 (3,992)	582,817	20,873	68,413 (1,955)	87,331	495,486	20-33.33
	216,461	551,343 (3,992)	763,812	29,266	89,403 (1,955)	116,714	647,098	
	2009							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2009	Rate of depreciation %
	As at January 01, 2009	Additions / (deletions)	As at December 31, 2009	As at January 01, 2009	Charge / (deletions)	As at December 31, 2009		
	----- Rupees in `000 -----							
Plant and Machinery	-	61,356	61,356	-	8,393	8,393	52,963	20-33.33
Vehicles	-	155,105	155,105	-	20,873	20,873	134,232	20-33.33
	-	216,461	216,461	-	29,266	29,266	187,195	

- 12.8 Financings include Rs. 741.680 million (2009: Rs. 788.665 million) which have been placed under non-performing status as follows:

Category of classification	2010								
	Classified Financings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in `000								
Substandard	50,553	-	50,553	5,008	-	5,008	5,008	-	5,008
Doubtful	68,635	-	68,635	8,350	-	8,350	8,350	-	8,350
Loss	622,492	-	622,492	283,323	-	283,323	283,323	-	283,323
	<u>741,680</u>	<u>-</u>	<u>741,680</u>	<u>296,681</u>	<u>-</u>	<u>296,681</u>	<u>296,681</u>	<u>-</u>	<u>296,681</u>

Category of classification	2009								
	Classified Financings			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in `000								
Substandard	282,606	-	282,606	45,514	-	45,514	45,514	-	45,514
Doubtful	142,878	-	142,878	50,501	-	50,501	50,501	-	50,501
Loss	363,181	-	363,181	134,913	-	134,913	134,913	-	134,913
	<u>788,665</u>	<u>-</u>	<u>788,665</u>	<u>230,928</u>	<u>-</u>	<u>230,928</u>	<u>230,928</u>	<u>-</u>	<u>230,928</u>

- 12.8.1 Included in loss category are assets amounting to Rs. 147.094 million (2009: Rs. 218.981 million) which have been classified under subjective evaluation, resulting in a provision of Rs. 61.369 million (2009: Rs. 64.411 million).

- 12.9 Particulars of provision against non-performing financings

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in `000					
Opening balance	230,928	18,781	249,709	141,687	18,242	159,929
Charge for the year	69,599	2,049	71,648	179,550	539	180,089
Reversals	(79,072)	-	(79,072)	(90,309)	-	(90,309)
	(9,473)	2,049	(7,424)	89,241	539	89,780
Transferred from CitiBank, N.A. - Pakistan Branches	75,226	11,461	86,687	-	-	-
Closing balance	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>	<u>230,928</u>	<u>18,781</u>	<u>249,709</u>

- 12.9.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by SBP and for potential losses on financings.

- 12.9.2 Particulars of provisions against non-performing financings

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in `000					
In local currency	296,681	32,291	328,972	230,928	18,781	249,709
In foreign currency	-	-	-	-	-	-
	<u>296,681</u>	<u>32,291</u>	<u>328,972</u>	<u>230,928</u>	<u>18,781</u>	<u>249,709</u>

12.10 Particulars of financings to directors, associated companies etc.

Note

2010 2009
----- Rupees in `000 -----

Financings due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons

Balance at beginning of the year		300,052	200,664
Financing granted during the year		155,382	138,269
Repayments		(55,053)	(38,881)
Balance at end of the year		400,381	300,052

13. OPERATING FIXED ASSETS

Capital work-in-progress	13.1	5,140	341
Property and equipment	13.2	1,980,249	2,289,816
Intangible assets	13.3	81,291	105,147
		2,066,680	2,395,304

13.1 Capital work-in-progress

Property and equipment			
Equipments		4,894	-
Advances to suppliers and contractors		246	341
		5,140	341

13.2 Property and equipment

	2010							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2010	Rate of depreciation %
	As at January 01, 2010	Additions / (deletions)/ adjustments	As at December 31, 2010	As at January 01, 2010	Charge / (deletions) adjustments	As at December 31, 2010		
	----- Rupees in `000 -----							
Free hold land	275,128	-	275,128	-	-	-	275,128	
Building on leasehold land	913,031	-	913,031	92,554	45,868	138,422	774,609	5
Furniture and fixture	755,440	15,467 (332) (417)	770,158	116,829	75,883 (85) 196	192,823	577,335	10
Electrical, office and computer equipments	776,652	41,588 (628) (1,138)	816,474	298,298	191,324 (405) (574)	488,643	327,831	25
Vehicles	127,509	4,220 (80,911)	50,818	50,263	20,611 (45,402)	25,472	25,346	20
	2,847,760	61,275 (81,871) (1,555)	2,825,609	557,944	333,686 (45,892) (378)	845,360	1,980,249	

	2009							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2009	Rate of depreciation %
	As at January 01, 2009	Additions / (deletions)	As at December 31, 2009	As at January 01, 2009	Charge / (deletions)	As at December 31, 2009		
	----- Rupees in `000 -----							
Free hold land	-	275,128	275,128	-	-	-	275,128	
Building on leasehold land	733,543	179,488	913,031	51,015	41,539	92,554	820,477	5
Furniture and fixture	549,331	206,109	755,440	48,823	68,006	116,829	638,611	10
Electrical, office and computer equipments	524,042	252,610	776,652	126,447	171,851	298,298	478,354	25
Vehicles	108,345	23,039 (3,875)	127,509	27,941	23,888 (1,566)	50,263	77,246	20
	1,915,261	936,374 (3,875)	2,847,760	254,226	305,284 (1,566)	557,944	2,289,816	

13.2.1 The fair value of property and equipment as per the management estimates is not materially different from the carrying amount.

13.3 Intangible assets

	2010							
	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2010	Rate of amortisation %
	As at January 01, 2010	Additions	As at December 31, 2010	As at January 01, 2010	Charge	As at December 31, 2010		
	Rupees in `000							
Computer software	144,435	3,942	148,377	39,288	27,798	67,086	81,291	20

	2009							
	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2009	Rate of amortisation %
	As at January 01, 2009	Additions	As at December 31, 2009	As at January 01, 2009	Charge	As at December 31, 2009		
	Rupees in `000							
Computer software	33,208	111,227	144,435	13,835	25,453	39,288	105,147	20

13.4 Cost of fully depreciated property and equipment that are still in the Bank's use, as at December 31, 2010, amounted to Rs. 92.396 million (2009: Rs 11.090 million). The cost of fully amortised intangible asset that are still in the Bank's use, as at December 31, 2010 amounted to Rs. 11.487 (2009: Nil).

13.5 Details of property and equipment disposed-off

13.5.1 The details of property and equipment disposed-off during the year are disclosed in 'Annexure 1'

	2010	2009 (Restated)
	----- Rupees in `000 -----	
14. DEFERRED TAX ASSETS		
Deferred tax credits arising due to		
Accelerated tax depreciation	(263,658)	(273,854)
Ijarah financings	(1,627)	(109,108)
Amortisation of deferred cost	(1,430)	(4,631)
Surplus on revaluation of assets	(17,437)	(20,387)
Provision against non-performing financing	(7,846)	-
	<u>(291,998)</u>	<u>(407,980)</u>
Deferred tax debits arising in respect of		
Available tax losses	632,862	727,983
Minimum tax credit carried forward	61,319	17,324
Provision against investment and sukuk murabaha	-	7,496
Provision against non-performing financings	-	10,134
	<u>694,181</u>	<u>762,937</u>
	<u>402,183</u>	<u>354,957</u>

14.1 The above net deferred tax asset has been recognised in accordance with the Bank's accounting policy as stated in note 5.7.2 above. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax assets could be realised.

	Note	2010	2009 (Restated)
----- Rupees in `000 -----			
15. OTHER ASSETS			
Profit / return accrued in local currency		643,769	523,151
Advances, deposits, advance rent and other prepayments		85,851	92,476
Advance against financings	15.1	2,895,585	3,222,134
Advance taxation (payments less provision)		9,526	17,075
Non-banking assets acquired in satisfaction of claims	15.2	308,410	-
Branch adjustment account		39,227	-
Unrealized gain on forward foreign exchange contracts		7,164	-
Deferred costs	15.3	4,086	20,169
Insurance claim receivable		12,639	12,169
Car ijarah repossession		1,473	3,960
Other receivables	15.4	50,479	64,025
		4,058,209	3,955,159
Less : Provision against other assets	15.5	(11,528)	-
		4,046,681	3,955,159

15.1 Represents advance given in respect of Murabaha, Ijarah and Istis'na financings.

15.2 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 317.812 million.

	2010	2009
----- Rupees in `000 -----		
15.3 Deferred costs		
Balance at the beginning of the year	20,169	36,252
Less: Amortised during the year	16,083	16,083
Balance at the end of the year	4,086	20,169

15.4 Includes Rs. 1.757 million (2009: nil) in respect of payment to a company against letter of credits.

	Note	2010	2009
----- Rupees in `000 -----			
15.5 Provision against other assets			
Balance at the beginning of the year		-	-
Charge for the year		11,528	-
Balance at the end of the year		11,528	-

16. BILLS PAYABLE

In Pakistan	563,020	485,608
Outside Pakistan	-	-
	563,020	485,608

17. DUE TO FINANCIAL INSTITUTIONS

In Pakistan	17.3	353,000	156,160
Outside Pakistan		-	-
		353,000	156,160

17.1 Particulars of due to financial institutions with respect to currencies

In local currency	353,000	156,160
In foreign currencies	-	-
	353,000	156,160

		2010	2009
		----- Rupees in `000 -----	
17.2	Particulars of due to financial institutions		
	Secured		
	Borrowings from State Bank of Pakistan under export refinance scheme	<u>353,000</u>	<u>156,160</u>
17.3	Represents Musharaka contributions by SBP against Islamic Export Refinance Scheme. These carry expected profit rate of 8.5% to 9 %per annum (2009: 6.5% to 7.0% per annum) and are secured against collateral.		
		Note	
		2010	2009
		----- Rupees in `000 -----	
18.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	18,796,560	12,652,075
	Savings deposits	9,982,409	7,555,064
	Current accounts - non-remunerative	8,975,862	7,265,287
	Margin accounts - non-remunerative	158,067	40,749
		<u>37,912,898</u>	<u>27,513,175</u>
	Financial institutions		
	Remunerative deposits	258,117	201,845
	Non remunerative deposits	27,305	272,358
		<u>38,198,320</u>	<u>27,987,378</u>
18.1	Particulars of deposits		
	In local currency	37,619,916	27,410,046
	In foreign currencies	578,404	577,332
		<u>38,198,320</u>	<u>27,987,378</u>
19.	OTHER LIABILITIES		
	Profit / return payable in local currency	300,870	185,512
	Unearned fees and commission	5,212	5,887
	Accrued expenses	137,012	110,714
	Deferred Murabaha Income - Financings	12.2 160,141	81,312
	Deferred Murabaha Income - Commodity Murabaha	10.3 10,474	7,002
	Payable to defined benefit plan	32 58,023	37,411
	Payable to defined contribution plan	33 959	1,187
	Unearned rent	1,151	1,096
	Security deposits against Ijarah	390,706	382,822
	Sundry creditors	34,036	51,957
	Charity payable	19.1 9,441	8,071
	Retention money	7,071	11,929
	Withholding tax payable	3,595	4,831
	Payable to Worker's Welfare Fund	1,219	-
	Others	35,067	27,601
		<u>1,154,977</u>	<u>917,332</u>

	Note	2010	2009
		----- Rupees in `000 -----	
19.1 Charity fund			
Balance at the beginning of the year		8,071	1,852
Additions during the year		5,770	6,219
Payments during the year	19.1.1	(4,400)	-
Balance at the end of the year		<u>9,441</u>	<u>8,071</u>
19.1.1 Charity in excess of Rs. 100,000 was paid to the following			
Citizen Foundation		2,800	-
Deaf and Dumb Welfare Society		300	-
Fakhr-e-Imdad Foundation	19.1.2	700	-
Captain (Retd) Ibrahim		600	-
		<u>4,400</u>	<u>-</u>
19.1.2 Mr. Ali Raza Siddiqui (Director) has interest to the extent of charity paid to Fakhr-e-Imdad Foundation located at JS Premises, 7th Floor, The Forum, Block 9, Clifton, Karachi. Other than mentioned, charity was not paid to any individual/organization in which a director or his spouse had any interest at any time during the year.			
20. SHARE CAPITAL			
20.1 Authorised capital			
		2010	2009
		-----Number of shares-----	
		1,300,000,000	600,000,000
	Ordinary shares of Rs.10/- Each	<u>13,000,000</u>	<u>6,000,000</u>
20.2 Issued, subscribed and paid - up capital			
		2010	2009
		-----Number of shares-----	
		527,967,898	527,967,898
	Ordinary shares of Rs.10 each Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>
		<u>5,279,679</u>	<u>5,279,679</u>
		2010	2009
		----- Rupees in `000 -----	
21. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
21.1 Surplus on revaluation of available for sale securities			
Sukuk Certificates		49,819	58,247
Less: Related deferred tax liability		(17,437)	(20,387)
		<u>32,382</u>	<u>37,860</u>

	2010	2009
	----- Rupees in `000 -----	
22. CONTINGENCIES AND COMMITMENTS		
22.1 Trade-related contingent liabilities		
Import letters of credit	<u>1,260,833</u>	<u>353,063</u>
Acceptances	<u>176,571</u>	<u>98,079</u>
22.2 Transaction-related contingent liabilities		
Guarantees favouring		
- Government	<u>869,935</u>	<u>643,793</u>
- Others	<u>110,245</u>	<u>141,141</u>
22.3 Claims not acknowledged as debt	<u>982,606</u>	<u>-</u>
22.4 Commitments in respect of promises		
Purchase	<u>339,270</u>	<u>8,099</u>
Sale	<u>373,661</u>	<u>16,848</u>
22.5 Commitments for the acquisition of operating fixed assets	<u>34,745</u>	<u>1,726</u>
22.6 Commitments in respect of financing facilities		
The Bank makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	2010	2009
	----- Rupees in `000 -----	
22.7 Other commitments		
Bills for collection	<u>320,132</u>	<u>177,235</u>
23. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED		
On financings to:		
- Customers	<u>1,960,781</u>	<u>1,004,649</u>
- Financial institutions	<u>926,266</u>	<u>49,173</u>
	<u>2,887,047</u>	<u>1,053,822</u>
On Investments in available for sale securities	<u>884,820</u>	<u>894,868</u>
On deposits / placements with financial institutions	<u>20,813</u>	<u>218,381</u>
Others	<u>13,529</u>	<u>10,074</u>
	<u>3,806,209</u>	<u>2,177,145</u>

	Note	2010	2009
		----- Rupees in `000 -----	
24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits		2,021,669	1,210,677
Other short-term due to financial institutions		35,864	11,492
		<u>2,057,533</u>	<u>1,222,169</u>
25. OTHER INCOME			
Rent on property		10,523	13,473
Gain on termination of Ijarah financing		4,651	4,190
Gain on disposal of property and equipment - net		20,260	192
Others		23,572	6,568
		<u>59,006</u>	<u>24,423</u>
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		601,862	531,431
Charge for defined benefit plan	32	20,914	18,709
Contribution to defined contribution plan		25,464	20,851
Workers' welfare fund		1,219	-
Non-executive directors' fees	34	1,550	1,350
Insurance on consumer car ijarah		31,999	23,348
Rent, taxes, insurance and electricity		293,457	292,320
Legal and professional charges		11,395	10,972
Communication		78,463	82,578
Repairs and maintenance		143,181	106,064
Stationery and printing		22,800	43,204
Advertisement and publicity		46,152	58,405
Auditors' remuneration	26.1	5,329	2,736
Depreciation	13.2	333,686	305,284
Amortisation	26.2	43,881	41,536
CDC and share registrar services		4,075	5,628
Entertainment expense		15,793	13,882
Security service charges		47,157	47,505
Brokerage and commission		15,193	6,079
Travelling and conveyance		11,075	11,787
Remuneration to Shariah Board		250	252
Fees and subscription		91,231	69,664
Vehicle running and maintenance		24,838	30,315
Others		24,512	31,603
		<u>1,895,476</u>	<u>1,755,503</u>
26.1 Auditors' remuneration			
Audit fee		1,500	1,500
Review of half yearly financial statements		420	400
Special certifications and sundry advisory services		2,920	451
Tax services		90	210
Out-of-pocket expenses		399	175
		<u>5,329</u>	<u>2,736</u>
26.2 Amortisation			
Intangible assets	13.3	27,798	25,453
Deferred costs	15.3	16,083	16,083
		<u>43,881</u>	<u>41,536</u>

27. OTHER CHARGES	2010	2009
	----- Rupees in `000 -----	
Penalties imposed by the State Bank of Pakistan	7,212	6,370
Others	4,445	4,247
	<u>11,657</u>	<u>10,617</u>

28. TAXATION	2010	2009 (Restated)
	----- Rupees in `000 -----	
For the year		
- Current	(42,269)	(12,465)
- Deferred	44,276	102,297
	<u>2,007</u>	<u>89,832</u>

28.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements due to available tax losses brought forward from tax years 2006, 2007, 2008, 2009 and 2010. The provision for current year income tax has been made under section 113 of the Income Tax Ordinance 2001.

Under Section 114 of the Income Tax Ordinance, 2001 (the Ordinance), the Bank has filed the returns of income for tax years 2006, 2007, 2008, 2009 and 2010 on due dates. The said returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

29. BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE	Note	2010	2009 (Restated)
Earnings/ (loss) for the year		46,550	(489,823)
Weighted average number of ordinary shares		527,967,898	527,967,898
Basic earnings/ (loss) per share	29.1	0.09	(0.93)

29.1 There is no dilution effect on the basic earnings/ (loss) per share as the Bank has no outstanding commitments for issue of shares. Accordingly, diluted earnings/ (loss) per share is equal to the basic loss per share as reported above.

30. CASH AND CASH EQUIVALENTS	Note	2010	2009
		----- Rupees in `000 -----	
Cash and balances with treasury banks	8	3,035,148	4,217,515
Balances with other banks	9	569,622	2,059,550
		<u>3,604,770</u>	<u>6,277,065</u>

31. STAFF STRENGTH	2010	2009
	----- Number -----	
Permanent	916	1,063
Temporary / on contractual basis	431	408
Total staff strength	<u>1,347</u>	<u>1,471</u>

32. DEFINED BENEFIT PLAN

General description

The Bank has a gratuity scheme for its employees (members of the scheme). The scheme entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff is eligible for such benefits after 3 years of service.

The number of employees covered under the following defined benefit scheme are 912 (2009: 833)
The present value of obligation under the scheme at the statement of financial position date were as follows:

	2010	2009
	----- Rupees in `000 -----	
Present value of defined benefit obligation	50,735	34,755
Net actuarial gains / (losses) not recognised	7,288	2,656
Liability recognised in the statement of financial position	<u>58,023</u>	<u>37,411</u>
Amounts charged to profit and loss account:		
Current service cost	16,070	15,845
Finance cost	4,844	2,864
	<u>20,914</u>	<u>18,709</u>
Movement in the liability recognised in the statement of financial position:		
Opening balance	37,411	18,820
Expense for the year	20,914	18,709
Benefits paid	(302)	(118)
Closing balance	<u>58,023</u>	<u>37,411</u>
Movement in the present value of defined benefit obligation:		
Opening balance	34,755	19,092
Current service cost	16,070	15,845
Finance cost	4,844	2,864
Benefit paid	(302)	(118)
Actuarial gain	(4,632)	(2,928)
Closing balance	<u>50,735</u>	<u>34,755</u>
Actuarial loss to be recognized		
Corridor limit		
The limits of the corridor at the beginning of the year		
10% of obligations	3,476	1,909
10% of plan assets	-	-
Which works out to	3,476	1,909
Unrecognised actuarial gains/ (losses) as at the beginning of the year	2,656	(272)
Excess	-	-
Average expected remaining working lives in years	13	14
Actuarial loss to be recognised	-	-
Unrecognised actuarial gains/ losses		
Unrecognised actuarial gains/ (losses) at the beginning of the year	2,656	(272)
Actuarial gains on obligation	4,632	2,928
Subtotal	7,288	2,656
Actuarial loss recognized	-	-
Unrecognised actuarial gains at the end of the year	<u>7,288</u>	<u>2,656</u>

Principal actuarial assumptions used are as follows:	2010	2009
Expected rate of increase in salary level	13%	12%
Valuation discount rate	14%	14%

	2010	2009	2008	2007	2006
	----- Rupees in `000 -----				
Historical information:					
As at December 31					
Present value of defined benefit obligation	50,735	34,755	19,092	10,150	2,484
Fair value of plan assets	-	-	-	-	-
Deficit	<u>50,735</u>	<u>34,755</u>	<u>19,092</u>	<u>10,150</u>	<u>2,484</u>
Experience adjustment on plan liabilities	(4,632)	(2,928)	(357)	(505)	-

33. DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salary to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 25.464 million (2009: Rs. 20.851 million) each.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	----- Rupees in '000 -----					
Fees	-	-	1,550	1,350	-	-
Managerial remuneration	9,781	9,781	-	-	87,780	106,615
Charge for defined benefit plan	815	815	-	-	14,385	6,669
Salary in lieu of provident fund	978	978	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	8,220	9,659
Rent and house maintenance	270	270	-	-	24,522	28,142
Utilities	978	978	-	-	8,778	10,079
Medical	978	978	-	-	8,623	10,079
Others	-	-	-	-	14,332	-
	<u>13,800</u>	<u>13,800</u>	<u>1,550</u>	<u>1,350</u>	<u>166,640</u>	<u>171,243</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>107</u>

34.1 The Bank's President / Chief Executive and certain Executives are provided with free use of Bank's maintained cars in accordance with the Banks service rules.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the investments other than those classified as held to maturity is based on quoted market price except for unquoted investment which is carried at cost less impairment, if any.

Fair value of fixed-term financing, other assets, other liabilities and fixed-term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provisions for impairment of financing have been calculated in accordance with the Bank's accounting policy as stated in note 5.5 to the financial statements.

The repricing and maturity profile and effective rates are stated in note 39 to these financial statements.

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
-----Rupees in '000-----					
2010					
Total income	80,237	2,422,415	1,277,775	232,886	4,013,313
Total expenses	37,531	2,211,077	954,175	763,980	3,966,763
Net income/ (loss)	42,706	211,338	323,600	(531,094)	46,550
Segment Assets (Gross)	20,655,460	4,643,858	17,743,245	2,355,058	45,397,621
Segment Non Performing Assets	61,418	246,180	505,328	-	812,926
Segment Provision Required	21,418	140,065	200,435	-	361,918
Segment Liabilities	377,520	26,673,044	12,876,337	342,416	40,269,317
Segment Return on Assets (ROA) (%)	0.21%	4.55%	1.82%	-	-
Segment Cost of funds (%)*	13.81%	6.63%	8.74%	-	-

* In case of Trading & Sales and Commercial Banking, the cost of funds includes the cost of funds borrowed from Head office.

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
-----Rupees in '000-----					
2009 -(Restated)					
Total income	68,334	1,301,544	683,651	466,303	2,519,832
Total expenses	36,052	1,665,076	765,143	543,384	3,009,655
Net income/ (loss)	32,282	(363,532)	(81,492)	(77,081)	(489,823)
Segment Assets (Gross)	16,389,703	3,278,465	13,255,798	1,618,953	34,542,919
Segment Non Performing Assets	61,418	58,037	730,628	-	850,083
Segment Provision Required	21,418	49,848	199,861	-	271,127
Segment Liabilities	7,080	19,336,743	10,098,990	103,665	29,546,478
Segment Return on Assets (ROA) (%)	0.20%	(11.09%)	(0.61%)	-	-
Segment Cost of funds (%)*	13.12%	6.69%	7.30%	-	-

* In case of Trading & Sales and Commercial Banking, the cost of funds includes the cost of funds borrowed from Head office.

37. RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise related group companies, principal shareholders, key management personnel, companies where directors of the Bank also hold directorship, directors and their close family members and staff retirement funds.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 34 are as follows:

	2010	2009
----- Rupees in `000 -----		
SUBSIDIARY		
Deposits:		
At the beginning of the year	75,727	65,358
Deposit during the year	880,647	632,165
Withdrawal during the year	(867,819)	(621,796)
At the end of the year	88,555	75,727
Transactions, income and expenses:		
Return on deposits expensed	8,080	8,430
Acquisition of vehicle	-	829

ASSOCIATES

2010 2009
----- Rupees in `000 -----

Financings:

Disbursed during the year	17,663	-
Repaid during the year	-	-
At the end of the year	17,663	-

Deposits:

At the beginning of the year	73,359	35,386
Deposit during the year	512,904	364,904
Withdrawal during the year	(463,121)	(326,931)
At the end of the year	123,142	73,359

Transactions, income and expenses:

Profit earned on financing	1,193	-
Return on deposits expensed	6,395	3,114
Repair and maintenance	47,036	10,432
Disposal of vehicle	-	1,082

KEY MANAGEMENT PERSONNEL

Financings:

At the beginning of the year	48,796	43,871
Disbursed during the year	18,062	15,000
Repaid during the year	(5,691)	(10,075)
At the end of the year	61,167	48,796

Deposits:

At the beginning of the year	731	323
Deposit during the year	69,286	49,526
Withdrawal during the year	(67,280)	(49,118)
At the end of the year	2,737	731

Employee Benefit Plans:

Contribution to Employees Gratuity Fund	20,914	18,709
Contribution to Employees Provident Fund	25,464	20,851

Transactions, income and expenses:

Profit earned on financing	2,242	2,002
Return on deposits expensed	317	126
Disposal of vehicle (Annexure 1)	17,420	1,018

38. CAPITAL ASSESSMENT AND ADEQUACY

38.1 Scope of Applications

The Basel II Framework is applicable at the level of standalone financial statements of BankIslami Pakistan Limited. The capital assessment and adequacy of the Group financial statements under Basel-II is separately calculated and disclosed in the consolidated financial statements of the Group.

38.2 Capital Structure

Bank's regulatory capital is analyzed into three tiers as follows

Tier 1 capital

Tier 1 capital, which includes fully paid up capital, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary company being commercial entities and book value of goodwill and intangibles.

Tier 2 capital

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies being commercial entities.

Tier 3 capital

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy are as follows:

	2010	2009 (Restated)
	----- Rupees in `000 -----	
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital	5,279,679	5,279,679
General Reserve	9,310	-
Accumulated loss	(554,985)	(592,225)
	<u>4,734,004</u>	4,687,454
Less: Cost of investment in subsidiary - 50%	(95,508)	(95,508)
Less: Book value of goodwill and intangibles	(81,291)	(105,147)
	<u>4,557,205</u>	4,486,799
Tier II Capital		
General provisions subject to 1.25% of total risk weighted assets	32,291	18,781
Revaluation Reserve (upto 45%)	22,419	26,211
Less: Cost of investment in subsidiary - 50%	(95,508)	(95,508)
Total Tier II Capital	(40,798)	(50,516)
Eligible Tier III Capital	-	-
Total Regulatory Capital	(a) <u><u>4,516,407</u></u>	<u><u>4,436,283</u></u>

38.3 Capital Adequacy

The capital requirements for the Bank as per the major risk categories is indicated in the manner given below:

	Capital Requirements		Risk Weighted Assets	
	2010	(Restated) 2009	2010	(Restated) 2009
----- Rupees in `000 -----				
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Corporate Portfolio	997,571	620,373	9,975,714	6,203,731
Retail Portfolio	24,781	24,656	247,814	246,559
Mortgage Portfolio	65,259	35,008	652,587	350,083
Past due financings	27,580	55,207	275,801	552,073
Claims on Banks	122,969	251,160	1,229,692	2,511,601
Fixed Assets	198,539	229,016	1,985,389	2,290,157
Others	382,365	380,799	3,823,648	3,807,993
	<u>1,819,064</u>	<u>1,596,219</u>	<u>18,190,645</u>	<u>15,962,197</u>
Portfolios subject to off balance sheet exposure -non market related				
Corporate Portfolio	<u>38,720</u>	<u>52,427</u>	<u>387,196</u>	<u>524,270</u>
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign Exchange Risk	18,248	12,429	182,483	124,286
Interest Rate Risk	277,665	450,003	2,776,651	4,500,034
Equity Risk	4	4	42	42
	<u>295,917</u>	<u>462,436</u>	<u>2,959,176</u>	<u>4,624,362</u>
Operational Risk				
Capital Requirement for operational risks				
Operational Risk	161,853	87,645	1,618,525	876,446
TOTAL	<u>2,315,554</u>	<u>2,198,727</u>	<u>23,155,542</u>	<u>21,987,275</u>

		2010	2009 (Restated)
----- Rupees in `000 -----			
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	<u>4,516,407</u>	<u>4,436,283</u>
Total Risk Weighted Assets	(b)	<u>23,155,542</u>	<u>21,987,275</u>
Capital Adequacy Ratio	(a) / (b)	19.50%	20.18%

38.4 Capital Management

Our objectives for a sound capital management are: 1) to ensure that the Bank complies with the regulatory Minimum Capital Requirement (MCR) 2) maintain a strong credit rating 3) maintain healthy capital ratios to support business and to maximize shareholder value and 4) to operate with a Revolving Planning Horizon and be able to take advantage of new investment opportunities when they appear.

The State Bank of Pakistan (SBP) vide circular No. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for Banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) as of December 31, 2009 was Rs. 6 billion and for the current year ended December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank (free of losses) as of December 31, 2010 amounts to Rs. 4.734 billion. In view of the above capital requirements, the Board of Directors of the Bank in their meeting held on February 07, 2011 has in principle agreed to issue right shares to increase its capital (free of losses) to Rs. 6 billion. Further, SBP vide its letter No. BSD/BAI-3/608/2773/2011 dated March 07, 2011 has granted the Bank exemption from its MCR till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs. 6 billion well before June 30, 2011.

39. RISK MANAGEMENT

Risk Management is the process of managing uncertainties that arises in the normal course of business activities. The risk management function is one of the most important area of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Bank follows effective risk governance which commensurate well with our current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. The Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly. Risk-exposure limits in compliance with regulatory and banks own internal policies have also been defined for each asset class.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it than needs to be reinforced through a strong control culture that promotes sound risk governance. Our Risk Management framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Bank.
- Critical Decision Making should be based on relevant research, proper analysis and effective communication within the Bank.
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and management

Strategic Level

On strategic level, the risk related functions are approved by the senior management and the board. These include; defining risks, setting parameters, ascertaining institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by the middle management or units devoted to risk reviews fall into this category. Periodical review of the various portfolios; stress testing and scenario analysis, for portfolio resilience; application of statistical tools and information in time-series, for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management, includes:

- business line acquisition, strong adherence to the credit and other related criteria.
- middle office monitoring function for a sound risk assessment of various market and other risk related policies and procedure.
- detailed review of various processes and operating procedures, for operational and other risk related assessment.

RISK APPETITE OF THE BANK

The risk appetite for the Bank is an outcome of its corporate goal, economic profitability, available resources and most significant; its controls. The Bank believes in a cautious yet steady approach toward its business objectives, and takes a holistic view of its investment and financing needs.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of the portfolios.

RISK ORGANIZATION

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Banks risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Risk governance must involve all relevant parties.

The risk management function at the Bank, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate/ manage risk in line with the Banks objectives.

39.1 Credit Risk

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The term Credit Risk has certain sub-categories as follows:

- i) **Price risk**
There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.
- ii) **Counter party risk**
The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).
- iii) **Settlement risk**
The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Bank has already met its commitments.
- iv) **Country risk**
The risk that a country in its function as contracting partner defaults during the term of a transaction and / or the risk that the cross-border transfer of funds could be restricted or completely blocked, i.e. that a country issues legislation to prohibit free transfer rights of funds including foreign exchange restrictions and / or the risk that country's specific economic and political factors precipitate the default of private sector counterparties (social unrest, civil war etc.)

The Bank places a strong emphasis on long-term stability before high returns. It is the Bank's strategy to keep risks to a minimum through broad diversification in terms of geography and product mix and to spread the Bank's credit and trade financing activities over a wide range of customers. Financing should as a rule be secured and self liquidating.

39.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of financings, deposits and contingencies and commitments.

39.1.1.1 Segments by class of business

	2010					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percentage	Rupees in '000	Percentage	Rupees in '000	Percentage
Agriculture, forestry, hunting and fishing	1,506,050	8.9%	2,081,572	5.4%	-	-
Mining and Quarrying	-	-	565,914	1.5%	-	-
Textile	2,421,300	14.2%	320,016	0.8%	925,288	20.7%
Chemical and pharmaceuticals	97,898	0.6%	449,386	1.2%	84,419	1.9%
Cement	1,004,234	5.9%	76,446	0.2%	25,134	0.6%
Sugar	1,220,185	7.0%	981,071	2.6%	-	-
Footwear and leather garments	134,753	0.8%	68,407	0.2%	51,368	1.1%
Automobile and transportation equipment	34,678	0.2%	170,968	0.4%	460,441	10.3%
Education	4,789	0.0%	109,534	0.3%	-	-
Electronics and electrical appliances	129,000	0.8%	75,275	0.2%	50,292	1.1%
Production and transmission of energy	2,551,685	15.0%	51,285	0.1%	-	-
Construction	488,511	2.9%	492,808	1.4%	92,931	2.0%
Power (electricity), gas, water, sanitary	-	-	12,742	0.0%	-	-
Wholesale and retail trade	280,973	1.7%	2,206,127	5.8%	-	-
Exports / imports	18,021	0.1%	122,656	0.3%	80,661	1.8%
Transport, storage and communication	350,516	2.1%	451,346	1.2%	138,921	3.1%
Financial	1,954,021	11.5%	285,422	0.7%	444,665	10.0%
Insurance	1,085	0.00%	37,622	0.1%	-	-
Services	133,502	0.8%	1,030,130	2.7%	73,915	1.7%
Individuals	2,832,463	16.7%	15,289,283	40.0%	982,606	22.0%
Others*	1,835,433	10.8%	13,320,310	34.9%	1,057,357	23.7%
	<u>16,999,097</u>	<u>100.0%</u>	<u>38,198,320</u>	<u>100.0%</u>	<u>4,467,998</u>	<u>100.0%</u>

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

	2009- (Restated)					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percentage	Rupees in '000	Percentage	Rupees in '000	Percentage
Agriculture, forestry, hunting and fishing	218,750	2.0%	1,272,868	4.5%	-	-
Mining and Quarrying	-	-	345,598	1.2%	-	-
Textile	1,835,647	17.1%	454,334	1.6%	179,210	12.4%
Chemical and pharmaceuticals	666,027	6.2%	598,799	2.1%	6,027	0.4%
Cement	561,592	5.2%	44,316	0.2%	30,000	2.1%
Sugar	296,967	2.8%	114,415	0.4%	-	-
Footwear and leather garments	72,302	0.7%	66,145	0.2%	8,946	0.6%
Automobile and transportation equipment	37,879	0.4%	197,062	0.7%	110,846	7.7%
Education	9,518	0.1%	159,646	0.6%	-	-
Electronics and electrical appliances	150,014	1.4%	82,041	0.3%	16,753	1.1%
Production and transmission of energy	747,088	7.0%	123,813	0.4%	42,704	3.0%
Construction	192,490	1.8%	744,283	2.7%	62,767	4.4%
Power (electricity), gas, water, sanitary	-	-	21,221	0.1%	-	-
Wholesale and retail trade	290,287	2.7%	1,817,606	6.5%	-	-
Exports / imports	76,372	0.7%	160,501	0.6%	197,299	13.7%
Transport, storage and communication	926,070	8.6%	149,459	0.5%	8,000	0.6%
Financial	1,724,828	16.2%	474,203	1.7%	32,083	2.2%
Insurance	1,315	0.0%	70,482	0.3%	-	-
Services	469,805	4.4%	917,035	3.3%	97,221	6.8%
Individuals	1,605,761	15.0%	8,199,113	29.3%	-	-
Others*	824,300	7.7%	11,974,438	42.8%	648,128	45.0%
	<u>10,707,012</u>	<u>100.0%</u>	<u>27,987,378</u>	<u>100.0%</u>	<u>1,439,984</u>	<u>100.0%</u>

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

39.1.1.2 Segments by sector

	2010					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percentage	Rupees in '000	Percentage	Rupees in '000	Percentage
Public / Government	2,450,606	14%	1,342,625	4%	869,935	19%
Private	14,548,491	86%	36,855,695	96%	3,598,063	81%
	<u>16,999,097</u>	<u>100%</u>	<u>38,198,320</u>	<u>100%</u>	<u>4,467,998</u>	<u>100%</u>

	2009 - (Restated)					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percentage	Rupees in '000	Percentage	Rupees in '000	Percentage
Public / Government	600,000	6%	1,250,055	5%	166,176	12%
Private	10,107,012	94%	26,737,323	95%	1,273,808	88%
	<u>10,707,012</u>	<u>100%</u>	<u>27,987,378</u>	<u>100%</u>	<u>1,439,984</u>	<u>100%</u>

39.1.1.3 Details of non-performing financings and specific provisions by class of business segment

	2010		2009	
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Wholesale and retail trade	44,485	6,045	63,758	5,483
Textile *	160,819	128,032	155,997	102,473
Chemical and pharmaceuticals	907	-	2,117	-
Power (electricity), gas, water, sanitary	11,379	30	599	150
Cement	23,750	12,422	23,750	12,422
Automobile and Transportation equipment	8,000	-	-	-
Import/Export	-	-	21,360	1,108
Construction	71,229	32,643	123,058	32,486
Services	1,156	578	-	-
Paper product *	85,672	-	100,000	-
Transport, Storage and Communication	4,791	1,194	-	-
Individuals*	306,476	115,737	120,667	38,941
Others *	23,016	-	177,359	37,865
	<u>741,680</u>	<u>296,681</u>	<u>788,665</u>	<u>230,928</u>

* Both subjective and objective provisions have been made

39.1.1.4 Details of non-performing financings and specific provisions by sector

	2010		2009	
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Public/ Government	-	-	-	-
Private	741,680	296,681	788,665	230,928
	<u>741,680</u>	<u>296,681</u>	<u>788,665</u>	<u>230,928</u>

39.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	<u>44,543</u>	<u>45,035,703</u>	<u>4,766,386</u>	<u>4,467,998</u>

	2009 - (Restated)			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	<u>(579,655)</u>	<u>34,271,792</u>	<u>4,725,314</u>	<u>1,439,984</u>

39.1.2 Credit Risk: Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The Bank has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Bank carries a strong desire to move towards the FIRB and Advanced approach.

Credit Risk : Disclosures for portfolio subject to the Standardized Approach & supervisory risk weights in the IRB Approach

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The bank has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support us in internally rating our credit clients.

Types of Exposures and ECAI's used

Exposures	2010			2009		
	JCR -VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	N/A	✓	✓	N/A

39.1.2.1 Credit Risk: Standardized Approach

Exposures	Rating Category	Credit Exposures subject to Standardised approach					
		2010			2009		
----- Rs. In '000 -----							
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-	-	-	-
	20%	1,584,051	-	1,584,051	2,636,960	-	2,636,960
	50%	1,034,212	-	1,034,212	382,879	-	382,879
	100%	10,988	-	10,988	13,313	-	13,313
	150%	-	-	-	248,256	-	248,256
	Unrated	9,005,147	179,764	8,825,383	5,309,299	210,097	5,099,202
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	541,360	210,941	330,419	501,021	172,275	328,746
	Total		<u>12,175,758</u>	<u>390,705</u>	<u>11,785,053</u>	<u>9,091,728</u>	<u>382,372</u>

CRM = Credit Risk Mitigation

39.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standardised and IRB Approaches - Basel II Specific.

Bank obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit Risk Mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits and cash margins.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market conditions.

The Bank takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 11,634.398 million (2009: Rs. 8,590.707 million) is subject to the CRM of Rs. 179.764 million (2009: Rs. 210.097 million) whereas a claim on retail portfolio of Rs. 541.360 million (2009: Rs. 501.020 million) is subject to CRM of Rs. 210.941 million (2009: Rs. 172.275 million). The total benefit of Rs. 390.705 million (2009: Rs. 382.372 million) was availed through CRM against total on-balance sheet exposure of Rs. 12,175.758 million (2009: Rs. 9,091.728).

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 1,473.667 million (2009: 1,237.802 million) is subject to the CRM of Rs. 100.907 million (2009: Rs. 38.842 million). Hence total benefit of Rs 100.907 million (2009: Rs. 38.842 million) was availed by the Bank through CRM against total off-balance sheet, non-market related exposure of Rs. 1,473.667 million (2009: Rs. 1,237.802 million).

During the year, total amount of cash collateral used for CRM purposes was Rs. 491.612 million (2009: Rs. 421.214 million). The difference in the value of cash collateral is due to the changes in the exposure amounts and the resultant amount of cash collateral obtained.

39.2 Equity Position Risk in the Banking book -Basel II Specific

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short-term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any in their value and charged to profit and loss account.

39.3 Yield / Profit Rate Risk in the banking book - Basel II specific

It includes all material yield risk positions of the Bank taken into account all repricing and maturity data. It includes current balances and contractual yield rates; bank understands that its financing shall be repriced as per their respective contracts.

Bank estimates changes in the economic value of equity due to change in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Bank by applying upward and downward shocks.

39.4 Market Risk

Market risk encompasses the risk of losses due to adverse movements in markets for instruments carrying a fixed rate, foreign exchange rates, securities, precious metals or other commodities.

The strategy of Bank is to keep market risks to the minimum in that the Bank does not enter into any speculative transaction. In general the Bank ensures that an adequate hedging mechanism is in place before it enters into financial markets for trading.

Moreover, since the Bank does not deal in interest based products, the impact of the above risks will be very minimal. The Bank does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

39.4.1 Foreign Exchange Risk

Foreign exchange or currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank's foreign exchange exposure comprises of forward promises, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, foreign currency placements with State Bank of Pakistan and other banks etc. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position is managed within the statutory limits as fixed by the State Bank of Pakistan.

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan Rupee	44,240,425	39,690,913	34,391	4,583,903
United States Dollar	555,343	387,130	(8,058)	160,155
Great Britain Pound	92,775	87,802	-	4,973
Japanese Yen	559	-	-	559
Euro	130,923	103,472	(26,333)	1,118
U.A.E Dirham	168	-	-	168
ACU	12,106	-	-	12,106
CHF	627	-	-	627
AUD	37	-	-	37
Saudi Riyal	2,740	-	-	2,740
	<u>45,035,703</u>	<u>40,269,317</u>	<u>-</u>	<u>4,766,386</u>

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan Rupee	33,561,423	28,969,147	8,749	4,601,025
United States Dollar	529,105	408,379	(8,749)	111,977
Great Britain Pound	91,463	90,714	-	749
Japanese Yen	494	-	-	494
Euro	79,676	78,238	-	1,438
U.A.E Dirham	475	-	-	475
ACU	5,923	-	-	5,923
CHF	538	-	-	538
Saudi Riyal	2,695	-	-	2,695
	<u>34,271,792</u>	<u>29,546,478</u>	<u>-</u>	<u>4,725,314</u>

39.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

Effective yield / Profit rate	2010											
	Total	Exposed to Yield / Profit risk										Non-profit bearing financial instruments
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Rupees in '000		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	3,035,148	-	-	-	-	-	-	-	-	-	3,035,148	
Balances with Other banks	9.43%	569,622	355	-	-	-	-	-	-	-	569,627	
Due from financial Institutions	12.14%	4,513,132	4,513,132	-	-	-	-	-	-	-	-	
Investments	13.33%	13,732,132	1,529,373	3,912,061	8,053,563	-	6,099	-	40,000	-	191,036	
Financings	14.00%	16,670,125	5,907,981	1,044,727	2,490,011	549,048	1,371,082	1,001,139	2,459,451	843,714	2,258	
Other assets		643,769	-	-	-	-	-	-	-	-	643,769	
		39,163,928	11,950,841	4,956,788	10,543,574	549,048	1,377,181	1,001,139	2,499,451	843,714	4,441,478	
Liabilities												
Bills payable		563,020	-	-	-	-	-	-	-	-	563,020	
Due to financial Institutions	6.50%	353,000	-	303,000	50,000	-	-	-	-	-	-	
Deposits and other Accounts	6.74%	38,198,320	2,187,711	2,310,040	1,698,298	4,328,688	6,086,881	6,151,127	3,999,615	2,274,726	9,161,234	
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	
Other liabilities		365,858	-	-	-	-	-	-	-	-	365,858	
		39,480,198	2,187,711	2,613,040	1,748,298	4,328,688	6,086,881	6,151,127	3,999,615	2,274,726	10,090,112	
On-balance sheet gap		(316,270)	9,763,130	2,343,748	8,795,276	(3,779,640)	(4,709,700)	(5,149,988)	(2,998,901)	224,725	843,714	(5,648,634)
NON FINANCIAL ASSETS												
Operating fixed assets		2,066,680										
Deferred tax assets		402,183										
Other assets		3,402,912										
		5,871,775										
NON FINANCIAL LIABILITIES												
Other liabilities		789,119										
TOTAL NET ASSETS		<u>4,766,386</u>										
Off-balance sheet financial instruments												
Forward lending		-	-	-	-	-	-	-	-	-	-	
Forward borrowings		-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	
Total Yield / Profit Risk Sensitivity Gap			9,763,130	2,343,748	8,795,276	(3,779,640)	(4,709,700)	(5,149,988)	(2,998,901)	224,725	843,714	(5,648,634)
Cumulative Yield/Profit Risk Sensitivity Gap			9,763,130	12,106,878	20,902,154	17,122,514	12,412,814	7,262,826	4,263,925	4,488,650	5,332,364	(5,648,634)

Effective yield / Profit rate	2009 - (Restated)										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
	Rupees in '000										
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	4,217,515	-	-	-	-	-	-	-	-	-	4,217,515
Balances with Other banks	9.43%	2,059,550	1,539,014	-	-	-	-	-	-	-	520,536
Due from financial Institutions	12.14%	4,018,813	4,018,813	-	-	-	-	-	-	-	-
Investments	13.33%	6,813,191	-	310,000	-	302,483	3,426,204	706,250	1,877,218	-	191,036
Financings	14.00%	10,457,303	512,676	600,071	1,173,123	3,490,917	735,527	1,909,165	977,695	479,504	577,016
Other assets		523,149	-	-	-	-	-	-	-	-	523,149
		28,089,521	6,070,503	600,071	1,483,123	3,490,917	1,038,010	5,335,369	1,683,945	2,356,722	577,016
Liabilities											
Bills payable		485,608	-	-	-	-	-	-	-	-	485,608
Due to financial Institutions	6.50%	156,160	-	84,490	71,670	-	-	-	-	-	-
Deposits and other Accounts	6.74%	27,987,378	8,264,904	1,380,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	7,578,394
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-
Other liabilities		225,838	-	-	-	-	-	-	-	-	225,838
		28,854,984	8,264,904	1,465,446	1,005,249	3,103,787	401,287	1,275,356	3,395,503	1,653,612	8,289,840
On-balance sheet gap		(765,463)	(2,194,401)	(865,375)	477,874	387,130	636,723	4,060,013	(1,711,558)	703,110	577,016
NON FINANCIAL ASSETS											
Operating fixed assets		2,395,304	-	-	-	-	-	-	-	-	-
Deferred tax assets		354,957	-	-	-	-	-	-	-	-	-
Other assets		3,432,010	-	-	-	-	-	-	-	-	-
		6,182,271	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES											
Other liabilities		691,494	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS		4,725,314	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments											
Forward lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap		(2,194,401)	(865,375)	477,874	387,130	636,723	4,060,013	(1,711,558)	703,110	577,016	(2,835,995)
Cumulative Yield/Profit Risk Sensitivity Gap		(2,194,401)	(3,059,776)	(2,581,902)	(2,194,772)	(1,558,049)	2,501,964	790,406	1,493,516	2,070,532	(2,835,995)

39.5 Liquidity Risk

Liquidity risk is defined as inability to raise deposits at a competitive rate. It can be caused by the withdrawal of important customer deposits (including interbank deposits). A sudden surge in liability withdrawals may leave the Bank in a position of having to liquidate assets in a very short period of time and at low prices.

Under refinance risk we understand the risk of holding longer-term assets relative to liabilities. Generally this is caused by a discrepancy of the cash flows from the two sides of the statement of financial position due to a faulty Asset-Liability Management (ALM) process (strongly differing maturity profiles).

The risk is minimized by broad diversification and a minimum of concentrations on both sides of the statement of financial position.

An Assets-Liabilities Committee (ALCO) is responsible for monitoring the liquidity and market risks of the Bank.

Maturities of Assets and Liabilities

	2010									
	Total	Upto 1 Month	Over 1 to 3 Monthst	Over 3 To 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	3,035,148	3,035,148	-	-	-	-	-	-	-	-
Balances with other banks	569,622	569,622	-	-	-	-	-	-	-	-
Due from financial institutions	4,513,132	4,513,132	-	-	-	-	-	-	-	-
Investments	13,732,132	1,529,373	3,912,061	8,053,563	-	6,099	-	-	40,021	191,015
Financings	16,670,125	5,908,191	1,044,800	2,490,259	550,775	1,371,082	1,001,139	1,000,714	2,459,451	843,714
Other assets	4,046,681	749,145	2,899,671	24,112	96,871	25,000	-	-	251,882	-
Operating fixed assets	2,066,680	-	-	5,140	-	-	-	434,468	577,335	1,049,737
Deferred tax assets	402,183	-	-	-	-	-	-	402,183	-	-
	<u>45,035,703</u>	<u>16,304,611</u>	<u>7,856,532</u>	<u>10,573,074</u>	<u>647,646</u>	<u>1,402,181</u>	<u>1,001,139</u>	<u>1,837,365</u>	<u>3,328,689</u>	<u>2,084,466</u>
Liabilities										
Bills payable	563,020	563,020	-	-	-	-	-	-	-	-
Due to financial institutions	353,000	-	303,000	50,000	-	-	-	-	-	-
Deposits and other accounts	38,198,320	3,697,906	2,310,040	1,698,298	4,328,688	9,912,402	9,976,646	3,999,614	2,274,726	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,154,977	488,237	34,036	160,141	22,875	-	-	449,688	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	<u>40,269,317</u>	<u>4,749,163</u>	<u>2,647,076</u>	<u>1,908,439</u>	<u>4,351,563</u>	<u>9,912,402</u>	<u>9,976,646</u>	<u>4,449,302</u>	<u>2,274,726</u>	<u>-</u>
Net assets	<u>4,766,386</u>	<u>11,555,448</u>	<u>5,209,456</u>	<u>8,664,635</u>	<u>(3,703,917)</u>	<u>(8,510,221)</u>	<u>(8,975,507)</u>	<u>(2,611,937)</u>	<u>1,053,963</u>	<u>2,084,466</u>
Share capital / Head office capital account	5,279,679	-	-	-	-	-	-	-	-	-
Reserves	9,310	-	-	-	-	-	-	-	-	-
Accumulated losses	(554,985)	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on revaluation of assets	32,382	-	-	-	-	-	-	-	-	-
	<u>4,766,386</u>	-	-	-	-	-	-	-	-	-

	2009 - (Restated)									
	Total	Upto 1 Month	Over 1 to 3 Monthst	Over 3 To 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	4,217,515	4,217,515	-	-	-	-	-	-	-	-
Balances with other banks	2,059,550	2,059,550	-	-	-	-	-	-	-	-
Due from financial institutions	4,018,813	4,018,813	-	-	-	-	-	-	-	-
Investments	6,813,191	-	-	310,000	-	302,483	3,426,204	706,250	1,877,239	191,015
Financings	10,457,303	512,831	600,276	1,174,372	3,490,917	735,527	1,909,165	977,695	479,504	577,016
Other assets	3,955,159	586,869	3,222,134	16,129	109,858	-	20,169	-	-	-
Operating fixed assets	2,395,304	30,812	61,626	92,437	185,215	369,747	369,747	157,482	489,149	639,089
Deferred tax assets	354,957	-	-	-	-	-	-	-	-	354,957
	<u>34,271,792</u>	<u>11,426,390</u>	<u>3,884,036</u>	<u>1,592,938</u>	<u>3,785,990</u>	<u>1,407,757</u>	<u>5,725,285</u>	<u>1,841,427</u>	<u>2,845,892</u>	<u>1,762,077</u>
Liabilities										
Bills payable	485,608	485,608	-	-	-	-	-	-	-	-
Due to financial institutions	156,160	-	84,490	71,670	-	-	-	-	-	-
Deposits and other accounts	27,987,378	15,843,298	1,380,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	917,332	334,545	58,959	-	102,408	-	-	421,420	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	<u>29,546,478</u>	<u>16,663,451</u>	<u>1,524,405</u>	<u>1,005,249</u>	<u>3,206,195</u>	<u>401,287</u>	<u>1,275,356</u>	<u>3,816,923</u>	<u>1,653,612</u>	<u>-</u>
Net assets	<u>4,725,314</u>	<u>(5,237,061)</u>	<u>2,359,631</u>	<u>587,689</u>	<u>579,795</u>	<u>1,006,470</u>	<u>4,449,929</u>	<u>(1,975,496)</u>	<u>1,192,280</u>	<u>1,762,077</u>
Share capital / Head office capital account	5,279,679	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(592,225)	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on revaluation of assets	37,860	-	-	-	-	-	-	-	-	-
	<u>4,725,314</u>	-	-	-	-	-	-	-	-	-

39.6 Operational Risk

This is the collective term for all risks which arise through inadequate or failed internal processes, employees and systems or from external events and which can only be partially quantified. In addition, legal risks fall into this category. The Bank is currently pursuing a Basic Indicator Approach (BIA), but wishes to move towards a more sophisticated approach in the coming years.

39.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market the Bank is aware of the need of reducing risk. The Bank has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

39.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

39.9 Shariah Non-Compliance Risk

Shariah non-compliance risk arises due to the lack of awareness amongst the staff while processing a particular transaction which may result in reputational loss to the Bank, as well as, reversal of income of the Bank in respect of that transaction.

This risk is covered by carrying out extensive Shariah training and orientation and frequent reviews by the Shariah department of the Bank.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Bank on March 07, 2011.

41. GENERAL

41.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

41.2 The figures in the financial statements are rounded off to the nearest thousand of rupees.



Chairman



Chief Executive Officer



Director



Director

Annexure 1

Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value, are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	------(Rupees in '000)-----					
BMW 320 i	3,066	1,916	1,150	2,595	Bank Policy	Muhammad Imran -Employee
Toyota Corolla	942	777	165	175	Bank Policy	Faisal Sheikh-Employee
Honda City	1,018	925	93	479	Bank Policy	Shamshad Ahmed - Employee
Honda City	898	711	187	690	Bank Policy	Arsalan Vohra-Employee
Toyota Corolla	956	740	216	713	Bank Policy	Khawaja Ehrar-ul-Hasan-Employee
Honda Civic	1,572	1,059	513	1,125	Bank Policy	Akhter Ausaf-Employee
Honda Civic	1,626	932	694	1,013	Bank Policy	Asad Alim-Employee
Honda Civic	1,611	736	875	1,275	Bank Policy	Mujtaba Hussain-Employee
Honda Civic	1,934	500	1,434	1,434	Bank Policy	Syed Shah Sajid Hussain-Employee
Honda Civic	1,876	734	1,142	1,275	Bank Policy	Rehan Shuja Zaidi -Employee
Honda City	1,401	128	1,273	1,359	Bank Policy	Muhammad Furqan-Employee
Toyota Corolla	956	645	311	788	Bank Policy	Syed Muhammad Tausif -Employee
Suzuki Cultus	750	294	456	563	Bank Policy	Sultan Ahmed -Employee
Toyota Corolla	957	566	391	750	Bank Policy	Saad Ahmed Madni -Employee
Suzuki Cultus	881	345	536	581	Bank Policy	Ayesha Ashraf Jhangra -Employee
Suzuki Liana	825	454	371	499	Bank Policy	Muhammad Nadeem Cheema - Employee
Suzuki Liana	936	526	410	600	Bank Policy	Bilal Munawar-Employee
Honda Civic	1,527	990	537	1,088	Bank Policy	Shaikh Umer Iqbal - Employee
Suzuki Cultus	750	287	463	518	Bank Policy	Nauman Pervez - Employee
Suzuki Cultus	637	350	287	460	Bank Policy	Rana Amir Mahmood -Employee
Suzuki Cultus	752	263	489	525	Bank Policy	Zafar Iqbal- Employee
Suzuki Cultus	699	245	454	536	Bank Policy	Hassan Naseem- Employee
Suzuki Liana	1,027	377	650	650	Bank Policy	Abid Saeed Abbasi -Employee
Honda Civic	1,579	917	662	1,106	Bank Policy	Ahmed Mobeen Malik - Employee
Suzuki Liana	875	613	262	510	Bank Policy	Mubashir Hassan -Employee
Suzuki Liana	875	539	336	510	Bank Policy	Masood Hussain -Employee
Suzuki Liana	883	529	354	518	Bank Policy	Salman Ahmed Shah- Employee
Suzuki Liana	906	679	227	461	Bank Policy	Muhammad Junaid - Employee
Suzuki Liana	955	525	430	525	Bank Policy	Tanveer Ahmed Abidi- Employee
Suzuki Cultus	750	262	488	544	Bank Policy	Khurram Iqbal Shamsi- Employee
Suzuki Cultus	726	290	436	540	Bank Policy	Monawar Raza Malik- Employee
Suzuki Cultus	699	268	431	536	Bank Policy	Muhammad Ayaz Ahmed - Employee
Suzuki Cultus	723	253	470	525	Bank Policy	Abdul Sami Khan Durrani- Employee
Suzuki Liana	906	679	227	473	Bank Policy	Imran Khurshed - Employee
Suzuki Liana	898	703	195	300	Bank Policy	Shoukat Ali - Employee
Suzuki Liana	875	612	263	521	Bank Policy	Amir Ali Durrani- Employee
Honda Civic	1,653	735	918	1,181	Bank Policy	Bilal Zuberi- Employee
Toyota Corolla	930	681	249	652	Bank Policy	Muhammad Ismail- Employee
Suzuki Baleno	893	893	-	368	Bank Policy	Qazi Hamid Jalaluddin- Employee
Suzuki Cultus	677	293	384	518	Bank Policy	Fasial Memon- Employee
Suzuki Liana	852	466	386	525	Bank Policy	Irfan Ahmed Ansari- Employee
Toyota Corolla	919	552	367	731	Bank Policy	Adnan Naseem - Employee
Suzuki Mehran	438	226	212	273	Bank Policy	Barat Ali - Employee
Suzuki Liana	1,031	357	674	690	Bank Policy	Saqib Ashraf- Employee
Suzuki Cultus	723	289	434	544	Bank Policy	Bilal Bin Saeed - Employee
Suzuki Cultus	723	277	446	552	Bank Policy	Adeel Ahmed Khan- Employee
Suzuki Liana	825	454	371	469	Bank Policy	Sohail Amir Khan- Employee
Suzuki Cultus	699	268	431	540	Bank Policy	Saleem Iqbal Naqvi- Employee
Suzuki Cultus	637	350	287	431	Bank Policy	Khalid Saeed Lone - Employee
Suzuki Cultus	750	289	461	518	Bank Policy	Naeem Kasi- Employee
Toyota Corolla	1,022	800	222	985	Auction	Muhammad Feroz Farooqui
Suzuki Cultus	723	253	470	715	Bank Policy	Altaf Warind - Employee
Mitsubishi Pajero	4,107	3,491	616	616	Bank Policy	Hasan A. Bilgrami - President/Chief Executive
Suzuki Liana	875	611	264	469	Bank Policy	Abdul Razzak- Employee
Honda City	936	780	156	399	Bank Policy	Muhammad Furqan- Employee
Honda Civic	1,876	734	1,142	1,275	Bank Policy	Farooq Anwar - Employee
Honda Civic	1,626	932	694	1,275	Bank Policy	Shoaib Khan- Employee
Honda Civic	1,629	962	667	1,144	Bank Policy	Sheba Matin Khan- Employee
Toyota Corolla	1,053	754	299	1,006	Auction	Noman Baig
	64,844	36,816	28,028	42,636		
Other property and equipment (having book value less than 250,000 or cost less than Rs. 1,000,000)	17,027	9,076	7,951	13,603		
Total	81,871	45,892	35,979	56,239		

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the consolidated Annual Results of Bank along with its subsidiary BankIslami Modaraba Investment Ltd. For the period ended December 31, 2010. The highlights of the year under review are:

	Dec-10	Dec-09	Growth (%)
Total Deposits	38,110	27,911	36.5%
Total Assets	44,947	34,193	31.5%
Total Financing-net	16,670	10,457	59.4%
Total Investments	13,565	6,653	103.9%
Shareholder's Equity	4,764	4,720	0.9%
Branches	102	102	-
	Dec-10	Dec-09	
Basic Earnings/(loss) per share	0.08	(0.92)	110.3%

Our group performance remained satisfactory. The Group has been able to post growth in its deposits by 36.5%, Financing 59.4% and total Assets increased by 31.5%.

The Board would like to place on record its deep appreciation to the State Bank which has supported us with an un-wavering commitment. Gratitude is also due to the Securities and Exchange Commission. Finally, we are thankful to our employees and customers for their patronage and support.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer

March 07, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **BankIslami Pakistan Limited** (the Bank) and its subsidiary company, BankIslami Modaraba Investment Limited (together referred to as Group) as at 31 December 2010, and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the year then ended, in which are incorporated the unaudited certified returns from the branches except for seven branches which have been audited by us. The financial statements of the subsidiary were reviewed in accordance with the International Standards on Review Engagements 2410 by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the subsidiary, is based solely on the report of other auditor. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

We draw attention to note 1.2 to the accompanying consolidated financial statements which fully explains the matter regarding the Bank's capital shortfall and its future plans to meet the shortfall by issuing right shares. The State Bank of Pakistan has granted exemption to the Bank from Minimum Capital Requirement till 30 June 2011 subject to the condition mentioned in the said note. Our report is not qualified in this respect.

Karachi
March 07, 2011

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: **Omer Chughtai**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	Note	2010	2009 (Restated)	2008 (Restated)
----- Rupees in `000 -----				
ASSETS				
Cash and balances with treasury banks	8	3,035,153	4,217,520	2,175,418
Balances with other banks	9	570,858	2,059,808	2,207,640
Due from financial institutions	10	4,513,132	4,018,813	40,351
Investments	11	13,564,654	6,653,447	4,861,883
Financings	12	16,670,125	10,457,303	6,342,734
Operating fixed assets	13	2,048,854	2,375,515	1,889,543
Deferred tax assets	14	409,483	366,566	278,446
Other assets	15	4,134,418	4,043,550	1,120,914
		44,946,678	34,192,522	19,006,929
LIABILITIES				
Bills payable	16	563,020	485,608	353,646
Due to financial institutions	17	353,000	156,160	245,939
Deposits and other accounts	18	38,109,790	27,911,651	12,412,598
Sub-ordinated loan		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	19	1,156,705	918,705	818,421
		40,182,515	29,472,124	13,830,604
NET ASSETS		4,764,163	4,720,398	5,176,325
REPRESENTED BY				
Share capital	20	5,279,679	5,279,679	5,279,679
Reserves		8,232	-	-
Accumulated losses		(556,130)	(589,057)	(105,459)
		4,731,781	4,690,622	5,174,220
Surplus on revaluation of assets - net of deferred tax	21	32,382	29,776	2,105
		4,764,163	4,720,398	5,176,325
CONTINGENCIES AND COMMITMENTS	22			

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these consolidated financial statements.


Chairman


Chief Executive Officer


Director


Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010 ----- Rupees in `000 -----	2009 (Restated)
Profit / return on financings, investments and placements earned	23	3,809,955	2,181,887
Return on deposits and other dues expensed	24	2,049,453	1,215,019
Net spread earned		<u>1,760,502</u>	<u>966,868</u>
(Reversal)/ provision against non-performing financing - net	12.9	(7,424)	89,780
Provision for diminution in the value of investments	11.6	12,671	15,000
Provision against sukuk murabaha		-	6,418
Bad debts written off directly		-	-
		<u>5,247</u>	<u>111,198</u>
Net spread after (reversal)/provisions		<u>1,755,255</u>	<u>855,670</u>
OTHER INCOME			
Fee, commission and brokerage income		87,821	37,854
Dividend income		1	-
Income from dealing in foreign currencies		60,276	278,054
Capital gain / (loss) on sale of securities - net		-	2,356
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income	25	59,070	24,423
Total other income		<u>207,168</u>	<u>342,687</u>
		<u>1,962,423</u>	<u>1,198,357</u>
OTHER EXPENSES			
Administrative expenses	26	1,897,405	1,760,047
Other provisions / write offs	15.6	11,528	-
Other charges	27	11,657	10,617
Total other expenses		<u>1,920,590</u>	<u>1,770,664</u>
		<u>41,833</u>	<u>(572,307)</u>
Extra ordinary / unusual items		-	-
PROFIT/ (LOSS) BEFORE TAXATION		<u>41,833</u>	<u>(572,307)</u>
Taxation - Current		(44,993)	(14,309)
- Prior years		-	-
- Deferred		44,319	103,018
	28	<u>(674)</u>	<u>88,709</u>
PROFIT/ (LOSS) AFTER TAXATION		<u>41,159</u>	<u>(483,598)</u>
Accumulated losses brought forward		(589,057)	(105,459)
Transferred to Statutory Reserve		(8,232)	-
Accumulated losses carried forward		<u>(556,130)</u>	<u>(589,057)</u>
Basic earnings/ (loss) per share - Rupee	29	<u>0.08</u>	<u>(0.92)</u>
Diluted earnings/ (loss) per share - Rupee	29	<u>0.08</u>	<u>(0.92)</u>

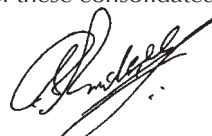
The annexed notes from 1 to 41 and Annexure 1 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Director



Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009 (Restated)
	----- Rupees in `000 -----	
Profit / (loss) after taxation	41,159	(483,598)
Other comprehensive income	-	-
Comprehensive income/ (loss) transferred to equity	41,159	(483,598)
Components of comprehensive income not transferred to equity		
Surplus on revaluation of available for sale securities	49,819	45,810
Deferred tax on revaluation of available for sale securities	(17,437)	(16,034)
	32,382	29,776
Total comprehensive income/ (loss) for the year	73,541	(453,822)

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these consolidated financial statements.


Chairman


Chief Executive Officer


Director


Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009 (Restated)
Note	----- Rupees in `000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	41,833	(572,307)
Less: Dividend income	(1)	-
	<u>41,832</u>	<u>(572,307)</u>
Adjustments:		
Depreciation	13.2 331,722	303,420
Amortisation	26.2 27,798	25,453
Depreciation on operating Ijarah assets	12.7 89,403	29,266
(Reversal) / Provision against non-performing financings	12.9 (7,424)	89,780
Provision for diminution in the value of investments	12,671	15,000
Provision against other assets	15.6 11,528	-
Provision against sukuk murabaha	-	6,418
Gain on sale of property and equipment - net	(20,260)	(192)
Deferred cost amortised	26.2 16,083	16,083
	<u>461,521</u>	<u>485,228</u>
	<u>503,353</u>	<u>(87,079)</u>
Increase in operating assets		
Due from financial institutions	(494,319)	(3,984,881)
Financings	(6,294,801)	(4,233,615)
Others assets (excluding advance taxation and deferred cost)	(126,997)	(2,855,453)
	<u>(6,916,117)</u>	<u>(11,073,949)</u>
Increase / (decrease) in operating liabilities		
Bills payable	77,412	131,962
Due to financial institutions	196,840	(89,779)
Deposits and other accounts	10,198,139	15,499,053
Other liabilities	238,000	100,284
	<u>10,710,391</u>	<u>15,641,520</u>
	<u>4,297,627</u>	<u>4,480,492</u>
Income tax paid	(36,476)	(7,576)
Net cash generated from operating activities	<u>4,261,151</u>	<u>4,472,916</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(6,919,869)	(1,763,994)
Dividend received	1	-
Investment in operating fixed assets	(68,839)	(817,982)
Sale proceeds of operating fixed assets disposed off	56,239	3,330
Net cash used in investing activities	<u>(6,932,468)</u>	<u>(2,578,646)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(2,671,317)</u>	<u>1,894,270</u>
Cash and cash equivalents at beginning of the year	6,277,328	4,383,058
Cash and cash equivalents at end of the year	30 <u>3,606,011</u>	<u>6,277,328</u>

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these consolidated financial statements.



Chairman



Chief Executive Officer



Director



Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

	Share capital	Statutory Reserve	Accumulated losses	Total
-----Rupees in '000 -----				
Balance as at January 01, 2009				
- as previously reported	5,279,679	-	(101,364)	5,178,315
Effect of changes in accounting policy (Note 5.1.1)	-	-	(4,095)	(4,095)
Balance as at January 01, 2009 - Restated	5,279,679	-	(105,459)	5,174,220
Net loss for the year - Restated	-	-	(483,598)	(483,598)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year ended				
December 31, 2009 - Restated	-	-	(483,598)	(483,598)
Balance as at December 31, 2009 - Restated	5,279,679	-	(589,057)	4,690,622
Net profit for the year	-	-	41,159	41,159
Other comprehensive income	-	-	-	-
Total comprehensive income for the year ended				
December 31, 2010	-	-	41,159	41,159
Transfer to statutory reserve	-	8,232	(8,232)	-
Balance as at December 31, 2010	5,279,679	8,232	(556,130)	4,731,781

The annexed notes from 1 to 41 and Annexure 1 form an integral part of these consolidated financial statements.


Chairman


Chief Executive Officer


Director


Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprise of:

BankIslami Pakistan Limited (Holding Company)

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The Bank was granted a 'Scheduled Islamic Commercial Bank' license on March 18, 2005, and formally commenced operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving notification in this regard from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. Currently, the Bank is engaged in corporate, commercial, consumer, investment and retail banking activities.

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 102 branches including 32 sub branches (2009: 102 branches including 32 sub branches) as at December 31, 2010. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

The State Bank of Pakistan (SBP) vide circular No. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for Banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) as of December 31, 2009 was Rs. 6 billion and for the current year ended December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank (free of losses) as of December 31, 2010 amounts to Rs. 4.734 billion. In view of the above capital requirements, the Board of Directors of the Bank in their meeting held on February 07, 2011 has in principle agreed to issue right shares to increase its capital (free of losses) to Rs. 6 billion. Further, SBP vide its letter No. BSD/BAI-3/608/2773/2011 dated March 07, 2011 has granted the Bank exemption from its MCR till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs. 6 billion well before June 30, 2011.

BankIslami Modaraba Investments Limited (Subsidiary Company)

The subsidiary was incorporated in Pakistan on January 22, 1986 under the Companies Ordinance, 1984. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary is to float and operate Modaraba. The subsidiary is managing its Modaraba with the name of MODARABA-AL-MALI. The principal place of business of the Subsidiary is situated at Tenth Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company has been eliminated against the shareholder's equity in the subsidiary company. Intra group balances or transactions have been eliminated.

The financial statements of the subsidiary have been consolidated on their reviewed interim condensed financial statements for the half year ended December 31, 2010.

2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements have been prepared in accordance with the requirements of State Bank of Pakistan (SBP) vide BSD Circular No. 4 dated February 17, 2006. Further, with effect from the current year, "consolidated balance sheet" has been renamed as "consolidated statement of financial position" keeping in view the requirement of BSD Circular letter No. 07 dated April 20, 2010 issued by SBP.

- 2.2 The Group provides financing mainly through shariah compliant financial products. Except for Murabaha and Ijarah transactions (which are accounted for under the Islamic Financial Accounting Standard - 1 and - 2), the purchases, sales and rentals arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of rental / profit thereon. Income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 3.2 SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for Banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS 7 "Financial Instruments: Disclosures" has not been made applicable to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which have been marked to market and are carried at fair value as stated in note 5.3 and commitments in respect of certain foreign exchange contracts are valued at market rates in accordance with the requirements of State Bank of Pakistan.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2009, except for changes mentioned in note 5.1.1 and 5.1.2 to the financial statement.

5.1.1 Change in accounting policy in respect of 'revenue recognition on Istisn'a

During the year, the Bank has changed its accounting policy in respect of 'revenue recognition on Istisn'a. The Bank now recognizes profit on Istisn'a financing from time of sale of goods till the realization of sale proceeds by the Bank. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting estimates and Errors". Previously, profit from Istisn'a was recognized on time proportion basis from the date of the contract till the realization of the sale proceeds by the Bank.

The change in accounting policy has the following effects on these consolidated financial statements.

	2010	2009	2008
	----- Rupees in `000 -----		
(Decrease)/ increase in deferred tax assets	(5,188)	7,941	2,163
(Decrease) in other assets	(7,818)	(22,920)	(6,258)
Increase in other liabilities	306	-	-
Increase in statutory reserve	334	-	-
Increase in accumulated loss	13,642	14,979	4,095
Increase/ (decrease) in profit / return on financings, investments and placements earned	15,259	(16,746)	(3,845)
Increase in administrative expenses	306	-	-
Increase/ (decrease) in current tax	152	(84)	-
	Rupee	Rupee	Rupee
Increase in earnings/ (loss) per share	0.003	(0.02)	(0.01)

The following corresponding figures have been reclassified as follows:

Year	From	To	Amount (Rupees '000)
2009	Financings	Other assets	2,824,849
2008	Financings	Other assets	184,797

5.1.2 New/ revised standards, amendments and interpretations adopted during the year.

The Group has adopted the following new and amended IFRS and related interpretations which became effective during the year:

- IFRS 2 - Share Based Payment: Amendments relating to Group Cash-Settled Share based payment transactions.
- IFRS 3 - Business combination (revised)
- IAS 27 - Consolidated and Separate Financial Statements (Amendments)
- IFRIC 17 - Distribution of Non-cash Assets to owners.

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2008

- IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

- IFRS 2 - Share-based Payments
- IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 8 - Operating Segments
- IAS 1 - Presentation of Financial Statements
- IAS 7 - Statement of Cash Flows
- IAS 36 - Impairment of Assets
- IAS 38 - Intangible Assets

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements of the Group.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury and balances with other banks in current and deposit accounts.

5.3 Investments

In accordance with BSD Circular No.10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by SBP, 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 securities which are either acquired for generating profit from short-term fluctuations in market prices or dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

Investments are initially recognised at cost which in case of investments other than 'held for trading' includes transaction costs associated with the investment.

In accordance with the requirements of SBP, quoted securities other than those classified as held to maturity are stated at market value. Investments classified as held to maturity are carried at amortised costs less impairment, if any. Unquoted securities and investment in subsidiary are valued at cost less impairment, if any.

Surplus / (deficit) arising on revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in "Surplus / Deficit on Revaluation of Securities account" and is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account.

Profit and loss on sale of investments is included in profit and loss currently.

Premium or discount on debt securities classified as available for sale is amortised using effective interest method and taken to the profit and loss account.

5.4 Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Financings

Financings are financial products originated by the Group and principally comprise Murabaha, Istisn'a, Ijarah, Salam, Musawamah and Diminishing Musharaka receivables. These are stated at amortised cost (except for Ijarah under IFAS 2 and Murabaha which is accounted for at gross receivable) net of general and specific provisions.

Provision against non-performing financing is made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to profit and loss account. Specific provisions are made for identified doubtful financing in addition to general provisioning requirements. Financings are written off when there is no realistic prospect of recovery.

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

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Group (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisna'a is an order to manufacture or construct some assets. The Group purchases marketable / exportable goods under Istisna'a mode and sells them through an agent.

Ijarah is a contract in which the Group buys and rents a productive asset to a person short of funds and in need of that asset.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawamah is a sale transaction in which price of a commodity to be traded is bargained between seller and the purchaser without any reference to the cost incurred by the seller.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Group).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.6 Operating fixed assets

5.6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 13.2 to the consolidated financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

The carrying values of property and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Gain and loss on disposal of assets are included in profit and loss currently.

5.6.2 Capital work in progress

These are stated at cost less impairment, if any.

5.6.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 13.3 to the consolidated financial statements

Amortization on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Group.

The carrying amounts are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

5.7 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

5.8 Taxation

5.8.1 Current taxation

Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

5.8.2 Deferred taxation

Deferred tax is provided using the balance sheet liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and un-absorbed tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and un-absorbed tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the statement of financial position date.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 'Income Taxes'.

5.9 Staff retirement benefits

5.9.1 Defined benefit plan

The Group operates an approved and unfunded gratuity scheme for all of its permanent employees. The contribution to the scheme is made on the basis of actuarial recommendations. Actuarial valuation is carried out at each year end using the Projected Unit Credit Method. The latest actuarial valuation was conducted as at December 31, 2010. Actuarial gains and losses are recognised as income or expense over the average remaining working lives of the employees, if the net cumulative unrecognised actuarial gains or losses for the Scheme at the end of the previous reporting period exceed 10% of the higher of defined benefit obligation and the fair value of the plan assets.

5.9.2 Defined contribution plan

The Group operates an approved funded contributory provident fund scheme for all of its permanent employees. Equal monthly contributions are made both by the Group and the employees at the rate of 10 % of the basic salary. The Group has no further payment obligations once the contributions have been paid. The contribution made by the Group is recognised on employee benefit expense when they are done.

5.10 Revenue recognition

5.10.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

5.10.2 Profit from Istisna'a is recorded on accrual basis commencing from the time of sale of good till realization of proceeds by the Group. Profit from Diminishing Musharaka, Salam and Musawamah are recognised on a time proportionate basis

5.10.3 Profit from Ijarah contracts is recognised on a pattern reflecting a constant periodic return on the net investment outstanding in accordance with International Accounting Standard 17 "Leases".

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

5.10.4 Profit on Diminishing Musharaka is recognised on an accrual basis.

5.10.5 Provisional profit of Musharaka / Modaraba financing is recognised on accrual basis. Actual profit / loss on Musharaka and Modaraba financings is adjusted for declaration of profit by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

5.10.6 Profit on classified financing is recognised on receipt basis.

5.10.7 Dividend income is recognised when the right to receive dividend is established.

5.10.8 Gains and losses on sale of investments are included in profit and loss currently.

5.10.9 Commission on letters of credit, acceptances and guarantees is recognised on receipt basis, except for commission on guarantees in excess of Rs. 50,000 which is recognized over the period of guarantee. Fee and brokerage income are recognised when earned. Modaraba management fee is recognised on an accrual basis.

5.11 Financial instruments

5.11.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.11.2 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.11.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to profit and loss currently.

5.12 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.13 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

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

5.14 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated financial statements.

5.15 Provisions

Provision are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Charge to profit and loss account is stated net off expected recoveries.

5.16 Deferred costs

These represent preliminary, formation and pre-operating cost and expenses incurred on issue of shares. These are being amortised over a period of five years.

5.17 Impairment

The carrying amount of assets is reviewed at each statement of financial position date for impairment whenever events of changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such indication exists, and where the carrying amount exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

5.18 Segment reporting

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

5.18.1 Business Segments

Trading and Sales

It includes equity, foreign exchanges, commodities, own securities and placements.

Retail Banking

It includes retail financings, deposits and banking services offered to its retail customers and small and medium enterprises.

Commercial Banking

It includes project finance, export finance, trade finance, Ijarah, guarantees and bills of exchange relating to its corporate customers.

Support Center

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

Modaraba Management

It includes the Modaraba management business carried on by the Group.

5.18.2 Geographical Segments

The Group has 102 branches including 32 sub branches (2009: 102 branches including 32 sub branches) and operates only in Pakistan.

5.19 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain doubtful financings. These are stated at lower of the net realizable value of the related advances and the current fair value of such assets.

6. ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 12 - Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially effect the Group's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

7. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates / judgments and associated assumptions used in the preparation of the consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the consolidated financial statements are as follows:

	Note
Classification of investments/ provision for diminution in value of investments	5.3 & 11
Useful lives of assets and methods of depreciation / amortisation	5.6 & 13
Current and deferred taxation	5.8 & 14
Provision against non-performing financings	5.5 & 12.8
Defined benefit plan	5.9.1 & 32

8. CASH AND BALANCES WITH TREASURY BANKS	Note	2010	2009
		----- Rupees in `000 -----	
In hand			
- local currency		653,806	829,019
- foreign currencies		<u>159,600</u>	<u>117,355</u>
		813,406	946,374
With State Bank of Pakistan in			
- local currency current accounts	8.1	1,610,620	2,564,617
- foreign currency deposit accounts			
- Cash Reserves		<u>30,401</u>	<u>29,484</u>
- Special Cash Reserves		<u>35,967</u>	<u>35,803</u>
- US Dollar Clearing Account		<u>19,264</u>	<u>23,205</u>
	8.2	<u>85,632</u>	<u>88,492</u>
		2,509,658	3,599,483
With National Bank of Pakistan in			
- local currency current accounts		<u>525,495</u>	<u>618,037</u>
		3,035,153	4,217,520

8.1 Represents Rs.1,610.620 million (2009: Rs.2,302.563 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement which is to be maintained to comply with the requirements of SBP issued from time to time.

8.2 Includes Rs.64.058 million (2009: Rs.63.506 million) held against Cash Reserve Requirement and Special Cash Reserves Requirement. Balance amount is available to the Group for its operations. These deposits do not carry any return.

9. BALANCES WITH OTHER BANKS	Note	2010	2009
		----- Rupees in `000 -----	
In Pakistan			
- on current accounts		<u>19,221</u>	<u>16,015</u>
- on deposit accounts	9.1	<u>1,591</u>	<u>1,539,272</u>
		20,812	1,555,287
Outside Pakistan			
- on current accounts		<u>550,046</u>	<u>504,521</u>
		570,858	2,059,808

9.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than a month. The expected profit rates on these arrangements ranges from 5 % to 10.2% (2009: 5 % and 9.5 %) per annum.

	Note	2010	2009
----- Rupees in `000 -----			
10. DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murabaha	10.1	6,418	6,418
Commodity Murabaha - local currency	10.2	4,513,132	2,218,813
	10.3	4,519,550	2,225,231
Musharaka Placement		-	1,800,000
		4,519,550	4,025,231
Provision against Sukuk Murabaha		(6,418)	(6,418)
		4,513,132	4,018,813

10.1 The Group entered into Sukuk Murabaha arrangement under which the Group appoints its client as an agent under asset purchase agreement to purchase the underlying Sukuks from the open market on its behalf and later sells them on deferred Murabaha basis. The maturity date of the deal was February 08, 2009. The Group is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

10.2 The Group has entered into Commodity Murabaha agreements under which the Group purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the Commodity Murabaha ranges from 12.75% to 13% (2009: 11.5% to 12.4%) per annum and have a maturity ranging from 3 days to 14 days.

	2010	2009
----- Rupees in `000 -----		
10.3 Murabaha sale price	544,831,409	25,898,652
Purchase price	(543,915,000)	(25,850,000)
	916,409	48,652
Deferred Murabaha income		
Opening balance	7,002	582
Deferred during the year	916,409	48,652
Recognised during the year	(912,937)	(42,232)
	10,474	7,002
Murabaha receivable		
Opening balance	2,225,231	40,351
Sales during the year	544,831,409	25,898,652
Received during the year	(542,537,090)	(23,713,772)
	4,519,550	2,225,231
10.4 Particulars of due from financial institutions		
In local currency	4,513,132	4,018,813

11. INVESTMENTS

	Note	2010			2009		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
----- Rupees in `000 -----							
11.1 Investments by types							
Available for sale securities							
- Sukuk Certificates	11.3	13,526,277	-	13,526,277	6,606,408	-	6,606,408
- Mutual Funds							
Open end mutual funds	11.4	15	-	15	15	-	15
Closed end mutual fund	11.4	6	-	6	6	-	6
- Modaraba Certificates	11.5	16,208	-	16,208	16,208	-	16,208
Total investment at cost		13,542,506	-	13,542,506	6,622,637	-	6,622,637
Less: provision for diminution in value of investments	11.6	(27,671)	-	(27,671)	(15,000)	-	(15,000)
Investments - net of provision		13,514,835	-	13,514,835	6,607,637	-	6,607,637
Surplus on revaluation of							
Available for sale securities	21.1	49,819	-	49,819	45,810	-	45,810
Total investments at market value		13,564,654	-	13,564,654	6,653,447	-	6,653,447

	Note	2010		2009	
		----- Rupees in `000 -----			
11.2 Investments by segments					
Federal government securities:					
- Sukuk certificates	11.3	9,750,000		2,250,000	
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:					
- Sukuk certificates	11.3	3,776,277		4,356,408	
Other investments					
- Mutual Funds					
Open end mutual funds	11.4	15		15	
Closed end mutual fund	11.4	6		6	
- Modaraba Certificates	11.5	16,208		16,208	
Total investments at cost		13,542,506		6,622,637	
Less: provision for diminution in value of investments and impairment	11.6	(27,671)		(15,000)	
Investments - net of provision		13,514,835		6,607,637	
Surplus on revaluation of available for sale securities	21.1	49,819		45,810	
Total investments at market value		13,564,654		6,653,447	

11.3 Details of investment in Sukuk

Name of the investee company	Note	2010	2009	Face Value (Rupees)	2010	2009	2010	2009
		Number of Certificates			Cost Rupees in `000	Cost Rupees in `000	Instrument rating	
Sukuk Certificates								
Federal Government								
Ijarah GOP Sukuk - 1	11.3.1	2,500	2,500	100,000	250,000	250,000	Unrated	Unrated
Ijarah GOP Sukuk - 3	11.3.2	20,000	20,000	100,000	2,000,000	2,000,000	Unrated	Unrated
Ijarah GOP Sukuk - 5	11.3.3	50,000	-	100,000	5,000,000	-	Unrated	Unrated
Ijarah GOP Sukuk - 6	11.3.4	25,000	-	100,000	2,500,000	-	Unrated	Unrated
					<u>9,750,000</u>	<u>2,250,000</u>		
Others								
First WAPDA Sukuk	11.3.5	60,000	60,000	5,000	299,453	299,213	Unrated	Unrated
Second WAPDA Sukuk	11.3.6	134,000	134,000	5,000	668,555	668,238	Unrated	Unrated
KSEW Sukuk-1	11.3.7	38,000	38,000	5,000	190,000	190,000	Unrated	Unrated
KSEW Sukuk-2	11.3.8	92,800	92,800	5,000	464,000	464,000	Unrated	Unrated
Pak Elektron Sukuk	11.3.9	60,000	60,000	5,000	171,429	257,143	A+	A+
Amtex Sukuk	11.3.10	59,000	59,000	5,000	221,250	295,000	Default	A-
Engro Chemical Sukuk	11.3.11	65,000	65,000	5,000	322,005	321,574	AA	AA
Security Leasing Sukuk	11.3.12	2,000	2,000	5,000	6,094	7,500	Unrated	BBB-
Shahmurad Sugar Mills Sukuk	11.3.13	250	250	1,000,000	166,667	250,000	A-	A-
Second Sitara Chemicals Sukuk	11.3.14	10,000	10,000	5,000	12,500	25,000	AA-	AA-
Third Sitara Chemicals Sukuk	11.3.15	8,000	8,000	5,000	30,000	40,000	AA-	AA-
Sitara Energy Sukuk - 1	11.3.16	6,000	6,000	5,000	12,413	18,413	Unrated	Unrated
Sitara Energy Sukuk - 2	11.3.17	4,000	4,000	5,000	8,000	12,000	Unrated	Unrated
New Allied Electronics (LG) Sukuk	11.3.18	11,000	11,000	5,000	55,000	55,000	Default	Default
Sui Southern Gas Company Sukuk	11.3.19	84,000	84,000	5,000	336,000	420,000	AA	AA
Kohat Cement Sukuk	11.3.20	27,000	27,000	5,000	130,410	130,410	Withdrawn	Withdrawn
Eden Housing Sukuk	11.3.21	54,000	54,000	5,000	202,500	236,250	A	A
Eden Developers Sukuk		-	40,000	5,000	-	100,000	N/A	BBB-
Optimus Sukuk	11.3.22	50,000	50,000	5,000	187,501	229,167	A	A
LESCO Sukuk	11.3.23	42,000	42,000	5,000	210,000	210,000	Unrated	Unrated
HBFC Sukuk	11.3.24	15,000	15,000	5,000	52,500	67,500	A+	A+
Haq Bahu Sugar Mill Sukuk - 1	11.3.25	12,000	12,000	5,000	30,000	60,000	Unrated	Unrated
					<u>3,776,277</u>	<u>4,356,408</u>		
					<u>13,526,277</u>	<u>6,606,408</u>		

11.3.1 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills plus 45 basis points. The principal will be redeemed on maturity in September 2011. These are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 254,050 thousand (2009: Rs. 252,482 thousand).

11.3.2 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in March 2012. These are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 2,030,000 thousand (2009: Rs. 2,040,000 thousand).

11.3.3 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in November 2013. These are backed by Government of Pakistan's Sovereign Guarantee.

11.3.4 The profit rate on these sukuks comprises of six months weighted average yield of six month market T-Bills. The principal will be redeemed on maturity in November 2013. These are backed by Government of Pakistan's Sovereign Guarantee.

11.3.5 These carry profit at the rate of six months KIBOR plus 35 basis points (2009: six months KIBOR plus 35 basis points) receivable on semi-annual basis with maturity in October 2012. The principal will be repaid on maturity. The purchase price and rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 311,610 thousand (2009: Rs. 311,610 thousand).

During last year, the Group had purchased 10,000 certificates on June 25, 2009 of WAPDA - 1 Sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Group on the plea that there exists certain discrepancy with respect to ownership of the asset. The Group and its legal advisors are of the view that the security and the rental purchased through CDC is deemed to be legally bona fide and the issuer itself in the FIR has conceded that a fraud was committed in its office by certain employees, some of whom have been arrested and part of the money have been recovered. The Group's legal advisor is certain that the Group will be able to recover the rental therefore no provision has been made in these financial statements.

- 11.3.6** These carry profit at the rate of six months KIBOR minus 25 basis points (2009 six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal will be repaid in 12 equal semi-annual installments with first installment falling due on the 54th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee. At December 31, 2010, these had a market value of Rs. 674,154 thousand (2009: Rs 674,154 thousand)
- 11.3.7** These carry profit at the rate of six months KIBOR plus 40 basis points (2009: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments commencing from the 54th month from the date of first draw down. The principal and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 11.3.8** These carry profit at the rate of six months KIBOR plus 40 basis points (2009: six months KIBOR plus 40 basis points) receivable on semi-annual basis with maturity in November 2015. The principal will be redeemed in eight semi-annual installments starting from May 2012. The principal and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 11.3.9** These carry profit at the rate of three months KIBOR plus 175 basis points (2009: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2012. The principal will be redeemed in 14 consecutive quarterly installments, the first such installment falling due not later than the end of 21st month from the date of issue of Sukuk. As a security first pari passu charge is provided on all present and future fixed assets of the company with 25% margin. There is an early purchase option available to the issuer after 30 months from the date of issue.
- 11.3.10** These carry profit at the rate of three months KIBOR plus 200 basis points (2009: three months KIBOR plus 200 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in October 2012. The principal will be redeemed in 12 consecutive quarterly installments, the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuk are backed by guarantee of Rs. 740 million from the Group. During the year, Amtex has defaulted on its principal repayment. Consequently the Group has suspended the accrual of profit from the Sukuk. Subsequent to the year end, the Bank has called the underlying guarantee.
- 11.3.11** These carry profit at the rate of six months KIBOR plus 150 basis points (2009: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharaka mechanism with maturity in September 2015. Principal repayment to be made in two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility. As a security first pari passu charge is provided on all present and future fixed assets of the Company with margin.
- 11.3.12** These Sukuks have been restructured during the year. After restructuring these Sukuks carry profit at the rate of 6% (3% cash + 3% accrual) (2009: six months KIBOR plus 195 basis points) upto September 2011 receivable monthly and thereafter at the rate of 1 month KIBOR upto maturity. The accrued profit amount to be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As a security first pari passu charge over specific leased assets and associated lease receivables with 25% security margin is provided.

- 11.3.13** These carry profit at the rate of six months KIBOR plus 225 basis points (2009: six months KIBOR plus 225 basis points) receivable semi-annually based on Diminishing Musharaka mechanism with maturity in September 2012. The principal is to be redeemed in 6 consecutive semi-annual installments, the first such installment falling due not later than the end of 30th month from the date of issue. As a security first hypothecation charge over fixed assets of the company and a bank guarantee from an Investment Bank of Rs. 100 million. There is an early purchase option available to the issuer after 2 years from the date of issue.
- 11.3.14** These carry profit at the rate of three months KIBOR plus 170 basis points (2009: three months KIBOR plus 170 basis points) receivable quarterly based on Diminishing Musharaka mechanism, with maturity in December 2011. The principal will be redeemed in 16 consecutive quarterly installments. As a security exclusive first pari passu charge on underlying fixed assets (19 MW Gas Fired Power Project) is provided.
- 11.3.15** These carry profit at the rate of three months KIBOR plus 100 basis points (2009: three months KIBOR plus 100 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2012. The principal will be redeemed in 12 equal quarterly installments the first such installment falling due on the 27th month from the date of first draw down. As a security specific and exclusive hypothecation charge in respect of the Musharaka assets in favour of the Investors to the extent of entire legal ownership rights of the company (covering the entire amount of Sukuk along with an 18.22% margin) is provided. There is an early purchase option available to the issuer after 2 years of disbursement with 'No Early Payment Penalty'.
- 11.3.16** These carry profit at the rate of six months KIBOR plus 195 basis points (2009: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin is provided.
- 11.3.17** These carry profit at the rate of six months KIBOR plus 195 basis points (2009: six months KIBOR plus 195 basis points) receivable semi-annually with maturity in July 2012. The principal will be redeemed in ten equal semi-annual installments commencing from the 6th month from the date of issue. As a security first charge over present and future assets of the company with 25% margin is provided.
- 11.3.18** These carry profit at the rate of three months KIBOR plus 220 basis points (2009: three months KIBOR plus 220 basis points) receivable semi-annually with maturity in December 2012. The principal will be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 300 million, first par passu charge over all present and future current assets amounting to Rs. 800 million of the company, irrevocable guarantee of A+ rated Financial Institution and Personal Guarantee of sponsoring directors is provided. There is an early purchase option available to the issuer after 2 years of disbursement. A provision for diminution in value of investment amounting to Rs. 15 million has been made against the principal.
- 11.3.19** These carry profit at the rate of three months KIBOR plus 20 basis points (2009: three months KIBOR plus 20 basis points) receivable quarterly based on Diminishing Musharaka mechanism having a tenor of 5 years with maturity in December 2012. The principal will be repaid in 10 consecutive quarterly installments, the first installment falling due on end of 33rd month from the last draw down. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin is provided. There is an early purchase option available to the issuer after 1 year of disbursement.

- 11.3.20** These Sukuks have been restructured during the year. After restructuring these Sukuks carry profit at the rate of three months KIBOR plus 180 basis points (2009: six months KIBOR plus 180 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in December 2015. As a security first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount , along with 25% margin and first ranking mortgage over all present and future immoveable properties of the Company with a 25% margin over the facility amount is provided. The principal redemption will start from September 2012 till December 2015 and will be calculated using the percentage as mentioned in “Restructuring Agreement”.
- 11.3.21** These Sukuks have been restructured during the year. After restructuring these Sukuks carry profit at the rate of three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014 (2009: six months KIBOR plus 250 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in June 2014. The remaining principal redemption will start from September 2010 till June 2014 and will be calculated using the percentage as mentioned in “Restructuring Agreement”. As a security charge over hypothecated assets amounting to Rs. 2,445 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) is created by the issuer in favour of the trustee.
- 11.3.22** These carry profit at the rate of six months KIBOR plus 125 basis points (2009: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly installments, the first such installment falling due not later than the end of 15th month from the last drawdown. As a security, first specific charge on specified vehicles amounting to Rs. 250 million of the company (on market value to be established every year by approved valuator) and a 25% margin over the principal amount in the form of first floating charge on the company's present and future current assets is provided.
- 11.3.23** These carry profit at the rate of six months KIBOR plus 90 basis points (2009: six months KIBOR plus 90 basis points) receivable semi-annually. It is backed by the unconditional, irrevocable and continuing Guarantee of Government of Pakistan. The maturity of the Sukuk was in April 2010 which was extended to July 2010. Whereas it is proposed to Ministry of Finance to roll-over the Sukuk to July 2011 and the majority of Sukuk holders have agreed for the same but the period is not yet defined and the matter is under consideration by Ministry of Finance.
- 11.3.24** These carry profit at the rate of six months KIBOR plus 100 basis points (2009: six months KIBOR plus 100 basis points) receivable semi-annually and the first such profit payment will fall due from the six months from the issue date with maturity in May 2014. As a security first charge over specific assets of the Company with 25% security margin is provided. The principal will be redeemed in 10 equal semi-annual installments starting from 18th month of the date of issue of Sukuk.
- 11.3.25** These carry profit at the rate of six months KIBOR plus 325 basis points (2009: six months KIBOR plus 325 basis points) receivable semi-annually, the first profit payment shall fall due at the end of six months from the issue date and subsequently after every six months thereafter with maturity in August 2011. As a security first pari passu charge on all present and future fixed assets of the company with 25% margin and a personal guarantee of sponsoring directors of the Company is provided. The principal will be redeemed in 4 consecutive semi-annual installments; the first such installment will become due not later than the end of 18th month from the last draw down.

11.4 Details of investments in Mutual Funds

Name of the investee Fund	2010		2009		2010		2009	
	Number of Units		Market value (Rupees in '000)		Cost (Rupees in '000)		Entity rating Long term/short term	
Open end mutual funds								
Al Meezan Cash Fund	112	99	6	5	5	5	AA (f)	AA (f)
Meezan Islamic Fund	134	108	6	5	5	5	5 Star	3 Star
Meezan Islamic Income Fund	104	98	5	5	5	5	A+ (f)	A+ (f)
			<u>17</u>	<u>15</u>	<u>15</u>	<u>15</u>		
Closed end mutual fund								
Meezan Balanced Fund	1,000	1,000	7	6	6	6	AM2	AM2
			<u>24</u>	<u>21</u>	<u>21</u>	<u>21</u>		

11.5 Details of investment in Modaraba Certificates

Name of the investee	2010		2009		2010		2009	
	Percentage Holding		Number of Certificates		Market Value (Rupees in '000)		Cost (Rupees in '000)	
Certificates								
Modaraba Al-Mali (related party)	13	13	2,342,177	2,342,177	3,537	3,371	16,208	16,208

11.6 Particulars of provision for diminution in value of investments

	2010	2009
	----- Rupees in `000 -----	
Opening balance	15,000	-
Charge for the year	12,671	15,000
Reversals	-	-
Closing balance	<u>27,671</u>	<u>15,000</u>

11.6.1 Particulars of provision in respect of type and segment

Sukuk certificates - Available for sale securities	15,000	15,000
Modaraba Units - Available for sale securities	12,671	-
	<u>27,671</u>	<u>15,000</u>

12. FINANCINGS

	Note	2010	2009 (Restated)
		----- Rupees in `000 -----	
Financings - in Pakistan			
- Murabaha	12.1 & 12.2	6,870,285	4,180,471
- Istisna'a	12.1	1,445,000	-
- Diminishing Musharaka - Housing		946,765	761,743
- Diminishing Musharaka - Others		5,161,718	3,889,569
- Against Bills - Murabaha		9,575	-
- Against Bills - Musawamah		2,640	7,948
- Musawamah		-	150,000
- Financings to employees	12.5 & 12.10	400,381	300,052
		<u>14,836,364</u>	<u>9,289,783</u>
Housing Finance Portfolio	12.3	809,277	-
Net investment in Ijarah financings in Pakistan	12.6	706,358	1,230,034
Net book value of assets/investment in Ijarah under IFAS 2	12.7	647,098	187,195
Financings - gross		<u>16,999,097</u>	<u>10,707,012</u>
Provision for non-performing financings	12.8 & 12.9		
- Specific		(296,681)	(230,928)
- General		(32,291)	(18,781)
Financings - net of provision		<u>16,670,125</u>	<u>10,457,303</u>

12.1 Murabaha includes financings amounting to Rs. 390.761 million (2009: Rs.169.186 million) against Murabaha under Islamic Export Refinance Scheme.

Istisn'a includes financings amounting to Rs. 50 million (2009: Rs. 42.020 million) against Istisn'a under Islamic Export Refinance Scheme.

	2010	2009
	----- Rupees in `000 -----	
12.2 Murabaha sale price	17,829,687	7,698,756
Murabaha purchase price	(17,117,952)	(7,445,953)
	<u>711,735</u>	<u>252,803</u>

Deferred Murabaha income

Opening balance	81,312	87,584
Deferred during the year	711,735	252,803
Recognised during the year	(632,906)	(259,075)
	<u>160,141</u>	<u>81,312</u>

Murabaha receivable

Opening balance	4,180,471	2,363,736
Sales during the year	17,829,687	7,698,756
Received during the year	(15,139,873)	(5,882,021)
	<u>6,870,285</u>	<u>4,180,471</u>

12.3 During the year, the Group acquired the housing finance portfolio of CitiBank, N.A. - Pakistan Branches ("the acquired portfolio") under Shariah Compliant Structure of Hawalah (assignment of debt) and Wakalah Lil Qabz (recovery agency) amounting to Rs. 953.273 million. The acquisition has duly been approved by the State Bank of Pakistan vide letter no BPRD (R&P-02)/625-93/2010/9690 dated December 06, 2010 and by the Competition Commission of Pakistan vide letter no 169/CCP/MERGER/2009 dated December 24, 2010. The Bank has settled a loan amount of Rs 722.590 million with CitiBank, N.A. - Pakistan Branches against the acquired portfolio.

The Group intends to convert the acquired portfolio to Shariah Compliant Diminishing Musharika based facility "Muskun". Portion of the acquired portfolio will be classified as Diminishing Musharika "Muskun" upon the satisfactory completion of the conversion of the housing portfolio to Muskun by the customer. No income shall be recognized on the acquired portfolio which has not been converted to Shariah Compliant "Muskun" facility. Such unrecognized income shall be paid as charity. The acquired portfolio carries a provision amounting to Rs 86.687 million in accordance with the Prudential Regulations of the SBP. The gain arising on the acquired portfolio has been deferred in the financial statements and will be realized in the profit and loss account on proportionate basis.

	2010	2009 (Restated)
	----- Rupees in `000 -----	
12.4 Particulars of financings		
12.4.1 In local currency	<u>16,999,097</u>	<u>10,707,012</u>
12.4.2 Short-term (for upto one year)	11,649,194	5,778,393
Long-term (for over one year)	5,349,903	4,928,619
	<u>16,999,097</u>	<u>10,707,012</u>

12.5 This includes Rs. 2.259 million (2009: Rs. 1.609 million) mark up free financing to employees advanced under Group's Human Resource Policy.

12.6 Net investment in Ijarah financings

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in `000							
Ijarah rentals receivable	178,114	425,153	-	603,267	588,673	652,768	-	1,241,441
Residual value	109,008	149,725	-	258,733	16,981	302,297	-	319,278
Minimum Ijarah payments	287,122	574,878	-	862,000	605,654	955,065	-	1,560,719
Future rental income	(40,855)	(114,787)	-	(155,642)	(102,452)	(228,233)	-	(330,685)
Present value of minimum Ijarah payments	246,267	460,091	-	706,358	503,202	726,832	-	1,230,034

12.7 Ijarah Assets

	2010							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2010	Rate of depreciation %
As at January 01, 2010	Additions / (deletions)	As at December 31, 2010	As at January 01, 2010	Charge / (deletions)	As at December 31, 2010			
	Rupees in `000							
Plant and Machinery	61,356	119,639	180,995	8,393	20,990	29,383	151,612	20-33.33
Vehicles	155,105	431,704 (3,992)	582,817	20,873	68,413 (1,955)	87,331	495,486	20-33.33
	216,461	551,343 (3,992)	763,812	29,266	89,403 (1,955)	116,714	647,098	

	2009							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2009	Rate of depreciation %
As at January 01, 2009	Additions / (deletions)	As at December 31, 2009	As at January 01, 2009	Charge	As at December 31, 2009			
	Rupees in `000							
Plant and Machinery	-	61,356	61,356	-	8,393	8,393	52,963	20-33.33
Vehicles	-	155,105	155,105	-	20,873	20,873	134,232	20-33.33
	-	216,461	216,461	-	29,266	29,266	187,195	

12.8 Financings include Rs. 741.680 million (2009: Rs. 788.665 million) which have been placed under non-performing status as follows:

	2010								
	Classified Financings			Provision Required			Provision Held		
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in `000								
Substandard	50,553	-	50,553	5,008	-	5,008	5,008	-	5,008
Doubtful	68,635	-	68,635	8,350	-	8,350	8,350	-	8,350
Loss	622,492	-	622,492	283,323	-	283,323	283,323	-	283,323
	741,680	-	741,680	296,681	-	296,681	296,681	-	296,681

	2009								
	Classified Financings			Provision Required			Provision Held		
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in `000								
Substandard	282,606	-	282,606	45,514	-	45,514	45,514	-	45,514
Doubtful	142,878	-	142,878	50,501	-	50,501	50,501	-	50,501
Loss	363,181	-	363,181	134,913	-	134,913	134,913	-	134,913
	788,665	-	788,665	230,928	-	230,928	230,928	-	230,928

12.8.1 Included in loss category are assets amounting to Rs. 147.094 million (2009: Rs. 218.981 million) which have been classified under subjective evaluation, resulting in a provision of Rs. 61.369 million (2009: Rs. 64.411 million).

12.9 Particulars of provision against non-performing financings

	2010			2009		
	Specific	General	Total	Specific	General	Total
Rupees in `000						
Opening balance	230,928	18,781	249,709	141,687	18,242	159,929
Charge for the year	69,599	2,049	71,648	179,550	539	180,089
Reversals	(79,072)	-	(79,072)	(90,309)	-	(90,309)
	(9,473)	2,049	(7,424)	89,241	539	89,780
Transferred from CitiBank, N.A. - Pakistan Branches	75,226	11,461	86,687	-	-	-
Closing balance	296,681	32,291	328,972	230,928	18,781	249,709

12.9.1 The Group has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by SBP and for potential losses on financings.

12.9.2 Particulars of provisions against non-performing financings

	2010			2009		
	Specific	General	Total	Specific	General	Total
Rupees in `000						
In local currency	296,681	32,291	328,972	230,928	18,781	249,709
In foreign currency	-	-	-	-	-	-
	296,681	32,291	328,972	230,928	18,781	249,709

12.10 Particulars of financings to directors, associated companies etc.

Note

2010 2009
----- Rupees in `000 -----

Financings 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	300,052	200,664
Financing granted during the year	155,382	138,269
Repayments	(55,053)	(38,881)
Balance at end of the year	400,381	300,052

13. OPERATING FIXED ASSETS

Capital work-in-progress	13.1	25,140	20,341
Property and equipment	13.2	1,942,424	2,250,027
Intangible assets	13.3	81,291	105,147
		2,048,855	2,375,515

13.1 Capital work-in-progress

Property and equipment			
Civil works		20,000	20,000
Equipments		4,894	-
Advances to suppliers and contractors		246	341
		25,140	20,341

13.2 Property and equipment

	2010							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2010	Rate of depreciation %
	As at January 01, 2010	Additions / (deletions)/ adjustments	As at December 31, 2010	As at January 01, 2010	Charge / (deletions)/ adjustments	As at December 31, 2010		
	Rupees in `000							
Free hold land	275,128	-	275,128	-	-	-	275,128	-
Building on leasehold land	869,858	-	869,858	89,794	43,709	133,503	736,355	5
Furniture and fixture	756,125	15,467 (332) (417)	770,843	117,508	75,883 (85) 196	193,502	577,341	10
Electrical, office and computer equipments	776,941	41,588 (628) (1,138)	816,763	298,477	191,387 (405) (574)	488,885	327,878	25
Vehicles	128,172	4,220 (80,911)	51,481	50,418	20,743 (45,402)	25,759	25,722	20
	2,806,224	61,275 (81,871) (1,555)	2,784,073	556,197	331,722 (45,892) (378)	841,649	1,942,424	

	2009							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2009	Rate of depreciation %
	As at January 01, 2009	Additions / (deletions)	As at December 31, 2009	As at January 01, 2009	Charge / (deletions)	As at December 31, 2009		
	Rupees in `000							
Free hold land	-	275,128	275,128	-	-	-	275,128	-
Building on leasehold land	690,370	179,488	869,858	50,414	39,380	89,794	780,064	5
Furniture and fixture	550,016	206,109	756,125	49,504	68,004	117,508	638,617	10
Electrical, office and computer equipments	524,332	252,609	776,941	126,564	171,913	298,477	478,464	25
Vehicles	109,741	23,321 (4,890)	128,172	28,047	24,123 (1,752)	50,418	77,754	20
	1,874,459	936,655 (4,890)	2,806,224	254,529	303,420 (1,752)	556,197	2,250,027	

13.2.1 The fair value of property and equipment as per the management estimates is not materially different from the carrying amount.

13.3 Intangible assets

	2010							
	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2010	Rate of amortisation %
	As at January 01, 2010	Additions	As at December 31, 2010	As at January 01, 2010	Charge	As at December 31, 2010		
	Rupees in `000							
Computer software	144,435	3,942	148,377	39,288	27,798	67,086	81,291	20

	2009							
	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2009	Rate of amortisation %
	As at January 01, 2009	Additions / (Deletions)	As at December 31, 2009	As at January 01, 2009	Charge / (Deletions)	As at December 31, 2009		
	Rupees in `000							
Computer software	33,227	111,227 (19)	144,435	13,854	25,453 (19)	39,288	105,147	20

13.4 Cost of fully depreciated properties and equipment that are still in the Group's use, as at December 31, 2010, amounted to Rs. 93.173 million (2009: Rs 11.090 million). The cost of fully amortised intangible assets that are still in the Group's use, as at December 31, 2010 amounted to Rs. 11.487 million (2009: Nil)

13.5 Details of property and equipment disposed-off

13.5.1 The details of property and equipment disposed-off during the year are disclosed in 'Annexure 1'

	2010	2009 (Restated)
	----- Rupees in `000 -----	
14. DEFERRED TAX ASSETS		
Deferred tax credits arising due to		
Accelerated tax depreciation	(263,582)	(273,818)
Ijarah financings	(1,627)	(109,108)
Amortisation of deferred cost	(1,430)	(4,631)
Surplus on revaluation of assets	(17,437)	(16,034)
Provision against non-performing financing	(7,846)	-
	<u>(291,922)</u>	<u>(403,591)</u>
 Deferred tax debits arising in respect of		
Available tax losses	640,040	735,160
Minimum tax credit carried forward	61,319	17,324
Provision against investment and sukuk murabaha	-	7,496
Provision against non-performing financings	-	10,177
Provision against other receivable	46	-
	<u>701,405</u>	<u>770,157</u>
	<u>409,483</u>	<u>366,566</u>

14.1 The above net deferred tax asset has been recognised in accordance with the Group's accounting policy as stated in note 5.8.2 above. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax assets could be realised.

	Note	2010	2009 (Restated)
		----- Rupees in `000 -----	
15. OTHER ASSETS			
Profit / return accrued in local currency		645,627	524,441
Advances, deposits, advance rent and other prepayments		108,133	115,043
Advance against financings	15.1	2,895,585	3,222,134
Advance taxation (payments less provision)		6,757	15,275
Non-banking assets acquired in satisfaction of claims	15.2	308,410	-
Branch adjustment account		39,227	-
Unrealized gain on forward foreign exchange contracts		7,164	-
Goodwill	15.3	59,232	59,232
Deferred costs	15.4	4,086	20,169
Insurance claim receivable		12,639	12,169
Car ijarah repossession		1,473	3,960
Other receivables	15.5	57,613	71,127
		<u>4,145,946</u>	<u>4,043,550</u>
Less : Provision against other assets	15.6	(11,528)	-
		<u>4,134,418</u>	<u>4,043,550</u>

15.1 Represents advance given in respect of Murabaha, Ijarah and Istish'a financings.

15.2 The market value of the non-banking assets acquired in satisfaction of claims is Rs. 317.812 million

15.3 Goodwill

	2010	2009
	----- Rupees in `000 -----	
As at 1st January	59,232	59,232
Arising on acquisition	-	-
	<u>59,232</u>	<u>59,232</u>
Amortisation and impairment		
Amortisation charge for the year	-	-
Net book value as at December 31	<u><u>59,232</u></u>	<u><u>59,232</u></u>

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following Cash Generating Unit (CGU):

- BankIslami Modaraba Investments Limited

The carrying amount of goodwill allocated to the CGU is as follows:

	2010	2009
	----- Rupees in `000 -----	
- BankIslami Modaraba Investments Limited	<u>59,232</u>	<u>59,232</u>

Key assumptions used in value in use calculation

The recoverable amount of the business operation of the cash generating unit has been determined based on a value in use calculation, using cash flow projections based on business plan approved by the management covering a five year period. The discount rate applied to cash flow projections beyond the fifth year period are extrapolated using a terminal growth rate. The following rates are being used:

	2010	2009
Discount rate - discrete period	20.07%	19.40%
Terminal growth rate	10.00%	10.00%

The calculation of value in use for the business operation is most sensitive to the following assumptions:

- Management fees;
- Income from education division;
- Dividend Income;
- Discount rate.

Management fees

Management fees have been assumed at 10 percent per annum, based on prevailing industry trends and anticipated market conditions.

Income from education division

Fee levels are based on expected fees benchmarked against comparable educational institutions.

Dividend Income

Dividend Income on investment in the Modarabas has been projected on the expected returns estimated on the basis of historical performance and prevailing industry trends.

Discount rate

Discount rate reflects management estimates of the rate of return required for the business and are calculated using the capital asset pricing model. Discount rates are calculated by using the weighted average cost of capital of the company.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the entity will not result in an impairment of goodwill.

	Note	2010	2009
		----- Rupees in `000 -----	
15.4 Deferred costs			
Balance at the beginning of the year		20,169	36,252
Less: Amortised during the year		16,083	16,083
Balance at the end of the year		<u>4,086</u>	<u>20,169</u>
15.5	Includes Rs. 1.757 million (2009: nil) in respect of payment to a company against letter of credits.		
	Note	2010	2009
		----- Rupees in `000 -----	
15.6 Provision against other assets			
Balance at the beginning of the year		-	-
Charge for the year		11,528	-
Balance at the end of the year		<u>11,528</u>	<u>-</u>
16. BILLS PAYABLE			
In Pakistan		563,020	485,608
Outside Pakistan		-	-
		<u>563,020</u>	<u>485,608</u>
17. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan	17.3	353,000	156,160
Outside Pakistan		-	-
		<u>353,000</u>	<u>156,160</u>
17.1 Particulars of due to financial institutions with respect to currencies			
In local currency		353,000	156,160
In foreign currencies		-	-
		<u>353,000</u>	<u>156,160</u>
17.2 Particulars of due to financial institutions			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme		<u>353,000</u>	<u>156,160</u>
17.3	Represents Musharaka contributions by SBP against Islamic Export Refinance Scheme. These carry expected profit rate of 8.5% to 9 %per annum (2009: 6.5% to 7.0% per annum) and are secured against collateral.		

	Note	2010	2009
----- Rupees in `000 -----			
18. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		18,796,560	12,652,075
Savings deposits		9,982,409	7,555,064
Current accounts - non-remunerative		8,975,862	7,265,287
Margin accounts -- non-remunerative		158,067	40,749
		<u>37,912,898</u>	<u>27,513,175</u>
Financial institutions			
Remunerative deposits		169,587	126,118
Non remunerative deposits		27,305	272,358
		<u>38,109,790</u>	<u>27,911,651</u>
18.1 Particulars of deposits			
In local currency		37,531,386	27,334,319
In foreign currencies		578,404	577,332
		<u>38,109,790</u>	<u>27,911,651</u>
19. OTHER LIABILITIES			
Profit / return payable in local currency		300,870	184,767
Unearned fees and commission		5,212	5,887
Accrued expenses		138,742	111,936
Deferred Murabaha Income - Financings	12.2	160,141	81,312
Deferred Murabaha Income - Commodity Murabaha	10.3	10,474	7,002
Payable to defined benefit plan	32	58,023	37,411
Payable to defined contribution plan	33	959	1,187
Unearned rent		1,151	1,096
Security deposits against Ijarah		390,706	382,822
Sundry creditors		34,036	52,854
Charity payable	19.1	9,441	8,071
Retention money		7,071	11,929
Withholding tax payable		3,595	4,831
Payable to Worker's Welfare Fund		1,218	-
Others		35,066	27,600
		<u>1,156,705</u>	<u>918,705</u>
19.1 Charity fund			
Balance at the beginning of the year		8,071	1,852
Additions during the year		5,770	6,219
Payments during the year	19.1.1	(4,400)	-
Balance at the end of the year		<u>9,441</u>	<u>8,071</u>
19.1.1 Charity in excess of Rs. 100,000 was paid to the following			
Citizen Foundation		2,800	-
Deaf and Dumb Welfare Socitey		300	-
Fakhr-e-Imdad Foundation	19.1.2	700	-
Captain Ibrahim		600	-
		<u>4,400</u>	<u>-</u>

19.1.2 Mr. Ali Raza Siddiqui (Director) has interest to the extent of charity paid to Fakhr-e-Imdad Foundation located at JS Premises, 7th Floor, The Forum, Block 9, Clifton, Karachi. Other than mentioned, charity was not paid to any individual/organization in which a director or his spouse had any interest at any time during the year.

20. SHARE CAPITAL

20.1 Authorised capital

2010 -----Number of shares-----	2009		2010 ----- Rupees in `000 -----	2009
<u>1,300,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10/- Each	<u>13,000,000</u>	<u>6,000,000</u>

20.2 Issued, subscribed and paid - up capital

2010 -----Number of shares-----	2009		2010	2009
<u>527,967,898</u>	<u>527,967,898</u>	Ordinary shares of Rs.10 each Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>

21. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

2010 2009
----- Rupees in `000 -----

21.1 Surplus on revaluation of available for sale securities

Sukuk Certificates	49,819	58,247
Modaraba Certificates	-	(12,437)
	<u>49,819</u>	<u>45,810</u>
Less: Related deferred tax liability	(17,437)	(16,034)
	<u>32,382</u>	<u>29,776</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Trade-related contingent liabilities

Import letters of credit	1,260,833	353,063
Acceptances	176,571	98,079

22.2 Transaction-related contingent liabilities

Guarantees favouring - Government	869,935	643,793
- Others	110,245	141,141

22.3 Claims not acknowledged as debt

1,001,806	-
-----------	---

	2010	2009
	----- Rupees in `000 -----	
22.4 Commitments in respect of promises		
Purchase	<u>339,270</u>	<u>8,099</u>
Sale	<u>373,661</u>	<u>16,848</u>
22.5 Commitments for the acquisition of operating fixed assets	<u>34,745</u>	<u>1,726</u>
22.6 Commitments in respect of financing facilities		
The Group makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	2010	2009
	----- Rupees in `000 -----	
22.7 Other commitments		
Bills for collection	<u>320,132</u>	<u>177,235</u>
23. PROFIT / RETURN ON FINANCINGS, INVESTMENTS AND PLACEMENTS EARNED		
On financings to:		
- Customers	<u>1,960,781</u>	1,004,649
- Financial institutions	<u>926,266</u>	49,173
	<u>2,887,047</u>	1,053,822
On Investments in available for sale securities	<u>888,239</u>	899,566
On deposits / placements with financial institutions	<u>21,140</u>	218,425
Others	<u>13,529</u>	10,074
	<u>3,809,955</u>	<u>2,181,887</u>
24. RETURN ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits	<u>2,013,589</u>	1,203,527
Other short-term due to financial institutions	<u>35,864</u>	11,492
	<u>2,049,453</u>	<u>1,215,019</u>
25. OTHER INCOME		
Rent on property	<u>10,523</u>	13,473
Gain on termination of Ijarah financing	<u>4,651</u>	4,190
Gain on disposal of property and equipment - net	<u>20,260</u>	192
Others	<u>23,636</u>	6,568
	<u>59,070</u>	<u>24,423</u>

	Note	2010	2009 (Restated)
----- Rupees in `000 -----			
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		604,739	535,210
Charge for defined benefit plan	32	20,914	18,709
Contribution to defined contribution plan		25,464	20,851
Workers' welfare fund		1,377	-
Non-executive directors' fees	34	1,550	1,350
Insurance on consumer car ijarah		31,999	23,348
Rent, taxes, insurance and electricity		293,516	292,396
Legal and professional charges		11,525	12,598
Communication		78,515	82,634
Repairs and maintenance		143,281	106,150
Stationery and printing		22,800	43,210
Advertisement and publicity		46,179	58,809
Auditors' remuneration	26.1	5,589	2,923
Depreciation	13.2	331,722	303,421
Amortisation	26.2	43,881	41,536
CDC and share registrar services		4,137	5,699
Entertainment expense		15,800	13,888
Security service charges		47,157	47,505
Brokerage and commission		15,193	6,079
Travelling and conveyance		11,287	11,882
Remuneration to Shariah Board		250	252
Fees and subscription		91,235	69,651
Vehicle running and maintenance		24,838	30,315
Others		24,457	31,631
		<u>1,897,405</u>	<u>1,760,047</u>
26.1 Auditors' remuneration			
Audit fee		1,575	1,500
Review of half yearly financial statements		420	638
Special certifications and sundry advisory services		3,105	400
Tax services		90	210
Out-of-pocket expenses		399	175
		<u>5,589</u>	<u>2,923</u>
26.2 Amortisation			
Intangible assets	13.3	27,798	25,453
Deferred costs	15.4	16,083	16,083
		<u>43,881</u>	<u>41,536</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		7,212	6,370
Others		4,445	4,247
		<u>11,657</u>	<u>10,617</u>

	2010	2009 (Restated)
	----- Rupees in `000 -----	
28. TAXATION		
For the year		
- Current	(44,993)	(14,309)
- Deferred	44,319	103,018
	<u>674</u>	<u>88,709</u>

28.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements due to available tax losses brought forward from tax years 2006, 2007, 2008, 2009 and 2010. The provision for current year income tax has been made under section 113 of the Income Tax Ordinance 2001.

Under Section 114 of the Income Tax Ordinance, 2001 (the Ordinance), the Bank has filed the returns of income for tax years 2006, 2007, 2008, 2009 and 2010 on due dates. The said returns were deemed completed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

		2010	2009 (Restated)
29. BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE			
Earnings/ (loss) for the year		Rupees in '000 <u>41,159</u>	<u>(483,598)</u>
Weighted average number of ordinary shares	Note	Number	<u>527,967,898</u>
Basic earnings/ (loss) per share	29.1	Rupee	<u>0.08</u>
			<u>(0.92)</u>

29.1 There is no dilution effect on the basic earnings/ (loss) per share as the Group has no outstanding commitments for issue of shares. Accordingly, diluted earnings/ (loss) per share is equal to the basic loss per share as reported above.

	Note	2010	2009
		----- Rupees in `000 -----	
30. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	3,035,153	4,217,520
Balances with other banks	9	570,858	2,059,808
		<u>3,606,011</u>	<u>6,277,328</u>

		2010	2009
		----- Number -----	
31. STAFF STRENGTH			
Permanent		920	1,066
Temporary / on contractual basis		431	408
Total staff strength		<u>1,351</u>	<u>1,474</u>

32. DEFINED BENEFIT PLAN

General description

The Group has a gratuity scheme for its employees (members of the scheme). The scheme entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff is eligible for such benefits after 3 years of service.

The number of employees covered under the following defined benefit scheme are 912 (2009: 833) The present value of obligation under the scheme at the statement of financial position date were as follows:

	2010	2009
	----- Rupees in `000 -----	
Present value of defined benefit obligation	50,735	34,755
Net actuarial gains / (losses) not recognised	7,288	2,656
Liability recognised in the statement of financial position	<u>58,023</u>	<u>37,411</u>
Amounts charged to profit and loss account:		
Current service cost	16,070	15,845
Finance cost	4,844	2,864
	<u>20,914</u>	<u>18,709</u>
Movement in the liability recognised in the statement of financial position:		
Opening balance	37,411	18,820
Expense for the year	20,914	18,709
Benefits paid	(302)	(118)
Closing balance	<u>58,023</u>	<u>37,411</u>
Movement in the present value of defined benefit obligation:		
Opening balance	34,755	19,092
Current service cost	16,070	15,845
Finance cost	4,844	2,864
Benefit paid	(302)	(118)
Actuarial gain	(4,632)	(2,928)
Closing balance	<u>50,735</u>	<u>34,755</u>
Actuarial loss to be recognized		
Corridor limit		
The limits of the corridor at the beginning of the year		
10% of obligations	3,476	1,909
10% of plan assets	-	-
Which works out to	<u>3,476</u>	<u>1,909</u>
Unrecognised actuarial gains/ (losses) as at the beginning of the year	2,656	(272)
Excess	<u>-</u>	<u>-</u>
Average expected remaining working lives in years	<u>13</u>	<u>14</u>
Actuarial loss to be recognised	<u>-</u>	<u>-</u>

	2010	2009
	----- Rupees in `000 -----	
Unrecognised actuarial gains/ losses		
Unrecognised actuarial gains/ (losses) at the beginning of the year	2,656	(272)
Actuarial gains on obligation	4,632	2,928
Subtotal	7,288	2,656
Actuarial loss recognized	-	-
Unrecognised actuarial gains at the end of the year	<u>7,288</u>	<u>2,656</u>

Principal actuarial assumptions used are as follows:	2010	2009
Expected rate of increase in salary level	13%	12%
Valuation discount rate	14%	14%

Historical information:	2010	2009	2008	2007	2006
	----- Rupees in `000 -----				
As at December 31					
Present value of defined benefit obligation	50,735	34,755	19,092	10,150	2,484
Fair value of plan assets	-	-	-	-	-
Deficit	<u>50,735</u>	<u>34,755</u>	<u>19,092</u>	<u>10,150</u>	<u>2,484</u>
Experience adjustment on plan liabilities	(4,632)	(2,928)	(357)	(505)	-

33. DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Group operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salary to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 25.464 million (2009: Rs. 20.851 million) each.

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	----- Rupees in '000 -----					
Fees	-	-	1,550	1,350	-	-
Managerial remuneration	9,781	9,781	-	-	89,205	108,040
Charge for defined benefit plan	815	815	-	-	14,471	6,669
Salary in lieu of provident fund	978	978	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	8,220	9,778
Rent and house maintenance	270	270	-	-	25,163	28,783
Utilities	978	978	-	-	8,920	10,221
Medical	978	978	-	-	8,660	10,103
Others	-	-	-	-	14,332	-
	<u>13,800</u>	<u>13,800</u>	<u>1,550</u>	<u>1,350</u>	<u>168,971</u>	<u>173,594</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>101</u>	<u>107</u>

34.1 The Group's President / Chief Executive and certain Executives are provided with free use of Group's maintained cars in accordance with the Group's service rules.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the investments other than those classified as held to maturity is based on quoted market price except for unquoted investment which is carried at cost less impairment, if any Fair value of fixed-term financing, other assets, other liabilities and fixed-term deposits can not be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provisions for impairment of financing have been calculated in accordance with the Group's accounting policy as stated in note 5.5 to the consolidated financial statements.

The repricing and maturity profile and effective rates are stated in note 39 to these consolidated financial statements.

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Modaraba Management	Total
-----Rupees in '000-----						
2010						
Total income	80,237	2,422,415	1,277,775	232,886	3,810	4,017,123
Total expenses	37,531	2,202,997	954,175	761,679	19,582	3,975,964
Net income/ (loss)	42,706	219,418	323,600	(528,793)	(15,772)	41,159
Segment Assets (Gross)	20,655,460	4,643,858	17,743,245	2,124,987	141,046	45,308,596
Segment Non Performing Assets	61,418	246,180	505,328	-	-	812,926
Segment Provision Required	21,418	140,065	200,435	-	-	361,918
Segment Liabilities	377,520	26,583,538	12,876,337	342,416	2,704	40,182,515
Segment Return on Assets (ROA) (%)	0.21%	4.72%	1.82%			
Segment Cost of funds (%)*	13.81%	6.61%	8.74%			

*In case of Trading and Sales in Commercial Banking, the cost of funds includes the cost of funds borrowed from Head Office

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Modaraba Management	Total
-----Rupees in '000-----						
2009						
Total income	68,334	1,301,544	683,651	466,303	4,742	2,524,574
Total expenses	36,052	1,657,925	765,143	541,088	7,964	3,008,172
Net income/ (loss)	32,282	(356,381)	(81,492)	(74,785)	(3,222)	(483,598)
Segment Assets (Gross)	16,389,703	3,278,519	13,255,798	1,386,584	153,045	34,463,649
Segment Non Performing Assets	61,418	58,037	730,628	-	-	850,083
Segment Provision Required	21,418	49,848	199,861	-	-	271,127
Segment Liabilities	7,080	19,260,271	10,098,990	103,665	2,118	29,472,124
Segment Return on Assets (ROA) (%)	0.20%	(10.87)%	(0.61)%			
Segment Cost of funds (%)*	13.12%	6.68%	7.30%			

*In case of Trading and Sales in Commercial Banking, the cost of funds includes the cost of funds borrowed from Head Office

37. RELATED PARTY TRANSACTIONS

The related parties of the Group comprise related group companies, principal shareholders, key management personnel, companies where directors of the Group also hold directorship, directors and their close family members and staff retirement funds.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 34 are as follows:

ASSOCIATES	2010	2009
	----- Rupees in `000 -----	
Financings:		
Disbursed during the year	17,663	-
Repaid during the year	-	-
At the end of the year	<u>17,663</u>	<u>-</u>
Deposits:		
At the beginning of the year	73,359	35,386
Deposit during the year	512,904	364,904
Withdrawal during the year	(463,121)	(326,931)
At the end of the year	<u>123,142</u>	<u>73,359</u>
Transactions, income and expenses:		
Profit earned on financing	1,193	-
Return on deposits expensed	6,395	3,114
Repair and maintenance	47,036	10,432
Disposal of vehicle	-	1,082
KEY MANAGEMENT PERSONNEL		
Financings:		
At the beginning of the year	48,796	43,871
Disbursed during the year	18,062	15,000
Repaid during the year	(5,691)	(10,075)
At the end of the year	<u>61,167</u>	<u>48,796</u>
Deposits:		
At the beginning of the year	731	323
Deposit during the year	69,286	49,526
Withdrawal during the year	(67,280)	(49,118)
At the end of the year	<u>2,737</u>	<u>731</u>
Employee Benefit Plans:		
Contribution to Employees Gratuity Fund	20,914	18,709
Contribution to Employees Provident Fund	25,464	20,851
Transactions, income and expenses:		
Profit earned on financing	2,242	2,002
Return on deposits expensed	317	126
Disposal of vehicle (Annexure 1)	17,420	1,018

38. CAPITAL STRUCTURE

Group's regulatory capital is analyzed into three tiers as follows

Tier 1 capital

Tier 1 capital, which includes fully paid up capital, general reserves as per the consolidated financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary company being commercial entities and book value of goodwill and intangibles.

Tier 2 capital

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies being commercial entities.

Tier 3 capital

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Group is not eligible for the Tier 3 capital.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy are as follows:

	2010	2009 (Restated)
	----- Rupees in `000 -----	
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital	5,279,679	5,279,679
General Reserve	8,232	-
Accumulated loss	(556,130)	(589,057)
	<u>4,731,781</u>	<u>4,690,622</u>
Less: Deficit on account of revaluation of investment held in AFS	-	(12,437)
Less: Book value of goodwill and intangibles	(140,523)	(164,379)
	<u>4,591,258</u>	<u>4,513,806</u>
Tier II Capital		
General provisions subject to 1.25% of total risk weighted assets	32,291	18,781
Revaluation Reserve (upto 45%)	22,419	20,615
Total Tier II Capital	<u>54,710</u>	<u>39,396</u>
Eligible Tier III Capital	-	-
Total Regulatory Capital	(a) <u><u>4,645,968</u></u>	<u><u>4,553,202</u></u>

38.1 Capital Adequacy

The capital requirements for the Bank as per the major risk categories is indicated in the manner given below:

	Capital Requirements		Risk Weighted Assets	
	2010	(Restated) 2009	2010	(Restated) 2009
----- Rupees in '000 -----				
Credit Risk				
Portfolios subject to standardized approach (Simple)				
Corporate Portfolio	997,571	630,472	9,975,714	6,304,720
Retail Portfolio	24,781	24,656	247,814	246,559
Mortgage Portfolio	65,259	35,008	652,587	350,083
Past due financings	27,580	55,207	275,801	552,073
Claims on Banks	123,013	241,067	1,230,134	2,410,668
Fixed Assets	196,756	227,037	1,967,563	2,270,368
Others	385,759	384,749	3,857,592	3,847,485
	<u>1,820,719</u>	<u>1,598,196</u>	<u>18,207,205</u>	<u>15,981,956</u>
Portfolios subject to off balance sheet exposure -non market related				
Corporate Portfolio	<u>38,720</u>	<u>52,427</u>	<u>387,196</u>	<u>524,270</u>
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Foreign Exchange Risk	18,248	12,429	182,483	124,286
Interest Rate Risk	280,547	453,556	2,805,465	4,535,563
Equity Risk	712	759	7,116	7,587
	<u>299,507</u>	<u>466,744</u>	<u>2,995,064</u>	<u>4,667,436</u>
Operational Risk				
Capital Requirement for operational risks				
Operational Risk	163,294	87,951	1,632,941	879,511
TOTAL	<u>2,323,240</u>	<u>2,205,317</u>	<u>23,222,406</u>	<u>22,053,173</u>

		2010	2009
		----- Rupees in `000 -----	
Capital Adequacy Ratio			(Restated)
Total eligible regulatory capital held	(a)	<u>4,645,968</u>	4,453,202
Total Risk Weighted Assets	(b)	<u>23,222,406</u>	<u>22,053,173</u>
Capital Adequacy Ratio	(a) / (b)	<u>20.01%</u>	20.19%

38.2 Capital Management

Our objectives for a sound capital management are: 1) to ensure that the Group complies with the regulatory Minimum Capital Requirement (MCR) 2) maintain a strong credit rating 3) maintain healthy capital ratios to support business and to maximize shareholder value and 4) to operate with a Revolving Planning Horizon and be able to take advantage of new investment opportunities when they appear.

The State Bank of Pakistan (SBP) vide circular No. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for Banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) as of December 31, 2009 was Rs. 6 billion and for the current year ended December 31, 2010 is Rs. 7 billion. The paid up capital of the Bank

(free of losses) as of December 31, 2010 amounts to Rs. 4.734 billion. In view of the above capital requirements, the Board of Directors of the Bank in their meeting held on February 07, 2011 has in principle agreed to issue right shares to increase its capital (free of losses) to Rs. 6 billion. Further, SBP vide its letter No. BSD/BAI-3/608/2773/2011 dated March 07, 2011 has granted the Bank exemption from its MCR till June 30, 2011 subject to the condition that the Bank will complete all formalities of the proposed right issue and raise its capital to Rs. 6 billion well before June 30, 2011.

39. RISK MANAGEMENT

Risk Management is the process of managing uncertainties that arises in the normal course of business activities. The risk management function is one of the most important area of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Group follows effective risk governance which commensurate well with our current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. The Group adheres to the regulatory requirement in this respect, and conducts its business accordingly. Risk-exposure limits in compliance with regulatory and banks own internal policies have also been defined for each asset class.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it than needs to be reinforced through a strong control culture that promotes sound risk governance. Our Risk Management framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Bank.
- Critical Decision Making should be based on relevant research, proper analysis and effective communication within the Bank.
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and management

Strategic Level

On strategic level, the risk related functions are approved by the senior management and the board. These include; defining risks, setting parameters, ascertaining institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by the middle management or units devoted to risk reviews fall into this category. Periodical review of the various portfolios; stress testing and scenario analysis, for portfolio resilience; application of statistical tools and information in time-series, for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management, includes:

- business line acquisition, strong adherence to the credit and other related criteria.
- middle office monitoring function for a sound risk assessment of various market and other risk related policies and procedure.
- detailed review of various processes and operating procedures, for operational and other risk related assessment.

RISK APPETITE OF THE GROUP

The risk appetite for the Group is an outcome of its corporate goal, economic profitability, available resources and most significant; its controls. The Group believes in a cautious yet steady approach toward its business objectives, and takes a holistic view of its investment and financing needs.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of the portfolios.

RISK ORGANIZATION

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Group's risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Risk governance must involve all relevant parties.

The risk management function at the Group, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate/ manage risk in line with the Group's objectives.

39.1 Credit Risk

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The term Credit Risk has certain sub-categories as follows:

i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Group has already met its commitments.

iv) Country risk

The risk that a country in its function as contracting partner defaults during the term of a transaction and / or the risk that the cross-border transfer of funds could be restricted or completely blocked, i.e. that a country issues legislation to prohibit free transfer rights of funds including foreign exchange restrictions and / or the risk that country's specific economic and political factors precipitate the default of private sector counterparties (social unrest, civil war etc.)

The Group places a strong emphasis on long-term stability before high returns. It is the Group's strategy to keep risks to a minimum through broad diversification in terms of geography and product mix and to spread the Group's credit and trade financing activities over a wide range of customers. Financing should as a rule be secured and self liquidating.

39.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of financings, deposits and contingencies and commitments.

39.1.1.1 Segments by class of business

	2010					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	1,506,050	8.8%	2,081,573	5.4%	-	-
Mining and Quarrying	-	-	565,914	1.5%	-	-
Textile	2,421,300	14.2%	320,016	0.8%	925,288	20.6%
Chemical and pharmaceuticals	97,898	0.6%	449,386	1.2%	84,419	1.9%
Cement	1,004,234	5.9%	76,446	0.2%	25,134	0.6%
Sugar	1,220,185	7.2%	981,071	2.6%	-	-
Footwear and leather garments	134,753	0.8%	68,407	0.2%	51,368	1.1%
Automobile and transportation equipment	34,678	0.2%	170,968	0.4%	460,441	10.3%
Education	4,789	0.0%	109,534	0.3%	-	-
Electronics and electrical appliances	129,000	0.8%	75,275	0.2%	50,292	1.1%
Production and transmission of energy	2,551,685	15.0%	51,285	0.1%	-	-
Construction	488,511	2.9%	492,808	1.4%	92,931	2.1%
Power (electricity), gas, water, sanitary	-	-	12,742	0.0%	-	-
Wholesale and retail trade	280,973	1.7%	2,206,127	5.8%	-	-
Exports / imports	18,021	0.1%	122,656	0.3%	80,661	1.8%
Transport, storage and communication	350,516	2.1%	451,346	1.2%	138,921	3.1%
Financial	1,954,021	11.5%	196,891	0.5%	444,665	9.9%
Insurance	1,085	0.00%	37,622	0.1%	-	-
Services	133,502	0.8%	1,030,130	2.7%	73,915	1.7%
Individuals	2,832,463	16.7%	15,289,283	40.1%	1,001,806	22.3%
Others*	1,835,433	10.7%	13,320,310	35.0%	1,057,357	23.5%
	<u>16,999,097</u>	<u>100.0%</u>	<u>38,109,790</u>	<u>100.0%</u>	<u>4,487,198</u>	<u>100.0%</u>

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

	2009- (Restated)					
	Financings (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	218,750	2.0%	1,272,868	4.6%	-	-
Mining and Quarrying	-	-	345,598	1.2%	-	-
Textile	1,835,647	17.1%	454,334	1.6%	179,210	12.4%
Chemical and pharmaceuticals	666,027	6.2%	598,799	2.1%	6,027	0.4%
Cement	561,592	5.2%	44,316	0.2%	30,000	2.1%
Sugar	296,967	2.8%	114,415	0.4%	-	-
Footwear and leather garments	72,302	0.7%	66,145	0.2%	8,946	0.6%
Automobile and transportation equipment	37,879	0.4%	197,062	0.7%	110,846	7.7%
Education	9,518	0.1%	159,646	0.6%	-	-
Electronics and electrical appliances	150,014	1.4%	82,041	0.3%	16,753	1.1%
Production and transmission of energy	747,088	7.0%	123,813	0.4%	42,704	3.0%
Construction	192,490	1.8%	744,283	2.7%	62,767	4.4%
Power (electricity), gas, water, sanitary	-	-	21,221	0.1%	-	-
Wholesale and retail trade	290,287	2.7%	1,817,606	6.5%	-	-
Exports / imports	76,372	0.7%	160,501	0.6%	197,299	13.7%
Transport, storage and communication	926,070	8.6%	149,459	0.5%	8,000	0.6%
Financial	1,724,828	16.2%	398,476	1.4%	32,083	2.2%
Insurance	1,315	0.0%	70,482	0.3%	-	-
Services	469,805	4.4%	917,035	3.3%	97,221	6.8%
Individuals	1,605,761	15.0%	8,199,113	29.4%	-	-
Others*	824,300	7.7%	11,974,438	42.9%	648,128	45.0%
	<u>10,707,012</u>	<u>100.0%</u>	<u>27,911,651</u>	<u>100.0%</u>	<u>1,439,984</u>	<u>100.0%</u>

* Others include Sole Proprietors, trusts, fund accounts, government accounts etc.

39.1.1.2 Segments by sector

	2010					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,450,606	14%	1,342,625	4%	869,935	19%
Private	14,548,491	86%	36,767,165	96%	3,617,263	81%
	<u>16,999,097</u>	<u>100%</u>	<u>38,109,790</u>	<u>100%</u>	<u>4,487,198</u>	<u>100%</u>

	2009 - (Restated)					
	Financings		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	600,000	4%	1,250,055	4%	166,176	12%
Private	10,107,012	96%	26,737,323	96%	1,273,808	88%
	<u>10,707,012</u>	<u>100%</u>	<u>27,987,378</u>	<u>100%</u>	<u>1,439,984</u>	<u>100%</u>

39.1.1.3 Details of non-performing financings and specific provisions by class of business segment

	2010				2009			
	Rupees in '000							
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Wholesale and retail trade	44,485	6,045	63,758	5,483				
Textile *	160,819	128,032	155,997	102,473				
Chemical and pharmaceuticals	907	-	2,117	-				
Power (electricity), gas, water, sanitary	11,379	30	599	150				
Cement	23,750	12,422	23,750	12,422				
Automobile and Transportation equipment	8,000	-	-	-				
Import/Export	-	-	21,360	1,108				
Construction	71,229	32,643	123,058	32,486				
Services	1,156	578	-	-				
Paper product *	85,672	-	100,000	-				
Transport, Storage and Communication	4,791	1,194	-	-				
Individuals*	306,476	115,737	120,667	38,941				
Others *	23,016	-	177,359	37,865				
	<u>741,680</u>	<u>296,681</u>	<u>788,665</u>	<u>230,928</u>				

* Both subjective and objective provision have been made.

39.1.1.4 Details of non-performing financings and specific provisions by sector

	2010				2009			
	Rupees in '000							
	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held	Classified Financings	Specific Provisions Held
Public/ Government	-	-	-	-				
Private	741,680	296,681	788,665	230,928				
	<u>741,680</u>	<u>296,681</u>	<u>788,665</u>	<u>230,928</u>				

39.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	<u>41,833</u>	<u>44,946,678</u>	<u>4,764,163</u>	<u>4,487,198</u>

	2009 - (Restated)			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	<u>(572,307)</u>	<u>34,192,522</u>	<u>4,720,398</u>	<u>1,439,984</u>

39.1.2 Credit Risk: Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The Group has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Group carries a strong desire to move towards the FIRB and Advanced approach.

Credit Risk : Disclosures for portfolio subject to the Standardized Approach & supervisory risk weights in the IRB Approach

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The Group has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support us in internally rating our credit clients.

Exposures	Types of Exposures and ECAI's used					
	2010			2009		
	JCR -VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	□	□	N/A	□	□	N/A
Banks	□	□	N/A	□	□	N/A

39.1.2.1 Credit Risk: Standardized Approach

Exposures	Rating Category	Credit Exposures subject to Standardised approach					
		2010			2009		
		Rs. In '000					
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
Corporate	0%	-	-	-	-	-	-
	20%	1,588,142	-	1,588,142	2,636,960	-	2,636,960
	50%	1,034,212	-	1,034,212	382,879	-	382,879
	100%	10,988	-	10,988	13,313	-	13,313
	150%	-	-	-	248,256	-	248,256
	Unrated	9,001,056	179,764	8,821,292	5,309,299	210,097	5,099,202
Retail	0%	-	-	-	-	-	-
	20%	-	-	-	-	-	-
	50%	-	-	-	-	-	-
	75%	541,360	210,941	330,419	501,021	172,275	328,746
Total		<u>12,175,758</u>	<u>390,705</u>	<u>11,785,053</u>	<u>9,091,728</u>	<u>382,372</u>	<u>8,709,356</u>

CRM = Credit Risk Mitigation

39.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standardised and IRB Approaches - Basel II Specific.

Group obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit Risk Mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits and cash margins.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Group in terms of change in their valuation due to changes in the market conditions.

The Group takes the benefit of CRM against its claims on corporate and retail portfolio. Under the standardized approach for on-balance sheet exposures, the corporate portfolio of Rs. 11,634.398 million (2009: Rs. 8,590.707 million) is subject to the CRM of Rs. 179.764 million (2009: Rs. 210.097 million) whereas a claim on retail portfolio of Rs. 541.360 million (2009: Rs. 501.020 million) is subject to CRM of Rs. 210.941 million (2009: 172.275 million). The total benefit of Rs. 390.705 million (2009: Rs. 382.372 million) was availed through CRM against total on-balance sheet exposure of Rs. 12,175.758 million (2009: 9,091.728).

Under off-balance sheet, non-market related exposures; the corporate portfolio of Rs 1,473.667 million (2009: 1,237.802 million) is subject to the CRM of Rs. 100.907 million (2009: Rs. 38.842 million). Hence total benefit of Rs 100.907 million (2009: Rs. 38.842 million) was availed by the Group through CRM against total off-balance sheet, non-market related exposure of Rs. 1,473.667 million (2009: 1,237.802 million).

During the year, total amount of cash collateral used for CRM purposes was Rs. 491.612 million (2009: 421.214 million) .The difference in the value of cash collateral is due to the changes in the exposure amounts and the resultant amount of cash collateral obtained.

39.2 Equity Position Risk in the Banking book -Basel II Specific

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short-term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any in their value and charged to profit and loss account.

39.3 Yield / Profit Rate Risk in the banking book - Basel II specific

It includes all material yield risk positions of the Group taken into account all repricing and maturity data. It includes current balances and contractual yield rates; Group understands that its financing shall be repriced as per their respective contracts.

Group estimates changes in the economic value of equity due to change in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.

39.4 Market Risk

Market risk encompasses the risk of losses due to adverse movements in markets for instruments carrying a fixed rate, foreign exchange rates, securities, precious metals or other commodities.

The strategy of Group is to keep market risks to the minimum in that the Group does not enter into any speculative transaction. In general the Group ensures that an adequate hedging mechanism is in place before it enters into financial markets for trading.

Moreover, since the Group does not deal in interest based products, the impact of the above risks will be very minimal. The Group does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

39.4.1 Foreign Exchange Risk

Foreign exchange or currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Group's foreign exchange exposure comprises of forward promises, foreign currency cash in hand, balances with banks abroad, foreign currency deposits, foreign currency placements with State Bank of Pakistan and other banks etc. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position is managed within the statutory limits as fixed by the State Bank of Pakistan.

2010				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan Rupee	44,151,400	39,604,111	34,391	4,581,680
United States Dollar	555,343	387,130	(8,058)	160,155
Great Britain Pound	92,775	87,802	-	4,973
Japanese Yen	559	-	-	559
Euro	130,923	103,472	(26,333)	1,118
U.A.E Dirham	168	-	-	168
ACU	12,106	-	-	12,106
CHF	627	-	-	627
AUD	37	-	-	37
Saudi Riyal	2,740	-	-	2,740
	<u>44,946,678</u>	<u>40,182,515</u>	<u>-</u>	<u>4,764,163</u>
2009 - (Restated)				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan Rupee	33,482,153	28,894,793	8,749	4,596,109
United States Dollar	529,105	408,379	(8,749)	111,977
Great Britain Pound	91,463	90,714	-	749
Japanese Yen	494	-	-	494
Euro	79,676	78,238	-	1,438
U.A.E Dirham	475	-	-	475
ACU	5,923	-	-	5,923
CHF	538	-	-	538
Saudi Riyal	2,695	-	-	2,695
	<u>34,192,522</u>	<u>29,472,124</u>	<u>-</u>	<u>4,720,398</u>

Equity Position Risk

The Group had no significant open exposure to equities as of year end 2010.

39.4.2 Mismatch of Profit / Yield Rate Sensitive Assets and Liabilities

Effective yield / Profit rate	2010										
	Total	Exposed to Yield / Profit risk									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	3,035,153	-	-	-	-	-	-	-	-	-	3,035,153
Balances with Other banks	9.43%	570,858	1,591	-	-	-	-	-	-	-	569,267
Due from financial Institutions	12.14%	4,513,132	4,513,132	-	-	-	-	-	-	-	-
Investments	13.33%	13,564,654	1,544,373	3,917,061	8,053,563	-	6,094	-	-	40,000	3,563
Financings	14.00%	16,670,125	5,907,981	1,044,727	2,490,011	549,049	1,371,082	1,001,139	1,000,714	2,459,451	843,713
Other assets		645,627	-	-	-	-	-	-	-	-	645,627
		38,999,549	11,967,077	4,961,788	10,543,574	549,049	1,377,176	1,001,139	1,000,714	2,499,451	843,713
											4,255,868
Liabilities											
Bills payable		563,020	-	-	-	-	-	-	-	-	563,020
Due to financial Institutions	6.50%	353,000	-	303,000	50,000	-	-	-	-	-	-
Deposits and other Accounts	6.74%	38,109,790	2,180,107	2,230,040	1,698,298	4,328,688	6,086,418	6,150,664	3,999,615	2,274,726	9,161,234
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-
Other liabilities		365,858	-	-	-	-	-	-	-	-	365,858
		39,391,668	2,180,107	2,533,040	1,748,298	4,328,688	6,086,418	6,150,664	3,999,615	2,274,726	10,090,112
		(392,119)	9,786,970	2,428,748	8,795,276	(3,779,639)	(4,709,242)	(5,149,525)	(2,998,901)	224,725	843,713
											(5,834,244)
On-balance sheet gap											
NON FINANCIAL ASSETS											
Operating fixed assets		2,048,855									
Deferred tax assets		409,483									
Other assets		3,488,791									
		5,947,129									
NON FINANCIAL LIABILITIES											
Other liabilities		790,847									
TOTAL NET ASSETS											
		4,764,163									
Off-balance sheet financial instruments											
Forward lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap											
		9,786,970	2,428,748	8,795,276	(3,779,639)	(4,709,242)	(5,149,525)	(2,998,901)	224,725	843,713	(5,834,244)
Cumulative Yield/Profit Risk Sensitivity Gap											
		9,786,970	12,215,718	21,010,994	17,231,355	12,522,113	7,372,588	4,373,687	4,598,412	5,442,125	(5,834,244)

Effective yield / Profit rate	2009 - (Restated)										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	4,217,520	-	-	-	-	-	-	-	-	-	4,217,520
Balances with Other banks	9.43%	2,059,808	1,539,271	-	-	-	-	-	-	-	520,536
Due from financial Institutions	12.14%	4,018,813	4,018,813	-	-	-	-	-	-	-	-
Investments	13.33%	6,653,447	-	310,000	-	312,483	3,426,204	723,750	1,877,218	-	3,792
Financings	14.00%	10,457,303	512,677	600,071	1,173,123	3,490,917	735,527	1,909,165	977,695	479,504	577,015
Other assets		524,439	-	-	-	-	-	-	-	-	524,439
		27,931,330	6,070,762	600,071	1,483,123	3,490,917	1,048,010	5,335,369	1,701,445	2,356,722	577,015
											5,267,896
Liabilities											
Bills payable		485,608	-	-	-	-	-	-	-	-	485,608
Due to financial Institutions	6.50%	156,160	-	84,490	71,670	-	-	-	-	-	-
Deposits and other Accounts	6.74%	27,911,651	8,259,177	1,310,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	7,578,394
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-
Other liabilities		225,838	-	-	-	-	-	-	-	-	225,838
		28,779,257	8,259,177	1,395,446	1,005,249	3,103,787	401,287	1,275,356	3,395,503	1,653,612	8,289,840
		(847,927)	(2,188,415)	(795,375)	477,874	387,130	646,723	4,060,013	(1,694,058)	703,110	577,015
											(3,021,944)
On-balance sheet gap											
NON FINANCIAL ASSETS											
Operating fixed assets		2,375,515									
Deferred tax assets		366,566									
Other assets		3,519,111									
		6,261,192									
NON FINANCIAL LIABILITIES											
Other liabilities		692,867									
TOTAL NET ASSETS											
		4,720,398									
Off-balance sheet financial instruments											
Forward lending		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield / Profit Risk Sensitivity Gap											
		(2,188,415)	(795,375)	477,874	387,130	646,723	4,060,013	(1,694,058)	703,110	577,015	(3,021,944)
Cumulative Yield/Profit Risk Sensitivity Gap											
		(2,188,415)	(2,983,790)	(2,505,916)	(2,118,786)	(1,472,063)	2,587,950	893,892	1,597,002	2,174,017	(3,021,944)

39.5 Liquidity Risk

Liquidity risk is defined as inability to raise deposits at a competitive rate. It can be caused by the withdrawal of important customer deposits (including interbank deposits). A sudden surge in liability withdrawals may leave the Group in a position of having to liquidate assets in a very short period of time and at low prices.

Under refinance risk we understand the risk of holding longer-term assets relative to liabilities. Generally this is caused by a discrepancy of the cash flows from the two sides of the statement of financial position due to a faulty Asset-Liability Management (ALM) process (strongly differing maturity profiles).

The risk is minimized by broad diversification and a minimum of concentrations on both sides of the statement of financial position.

An Assets-Liabilities Committee (ALCO) is responsible for monitoring the liquidity and market risks of the Group.

Maturities of Assets and Liabilities

Total	2010									
	Upto 1 Month	Over 1 to 3 Monthst	Over 3 To 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	3,035,153	-	-	-	-	-	-	-	-	
Balances with other banks	570,858	-	-	-	-	-	-	-	-	
Due from financial institutions	4,513,132	-	-	-	-	-	-	-	-	
Investments	13,564,654	210,000	-	284,050	3,139,825	8,038,500	1,216,012	672,730	3,537	
Financings	16,670,125	5,908,192	1,044,800	2,490,259	550,775	1,371,082	1,000,714	2,459,451	843,713	
Operating fixed assets	2,048,855	-	-	25,140	-	-	434,893	577,339	1,011,483	
Deferred tax assets	409,483	-	-	-	-	-	409,483	-	-	
Other assets	4,134,418	758,136	2,895,585	24,112	120,471	25,000	59,232	251,882	-	
	44,946,678	14,995,471	3,940,385	2,539,511	955,296	4,535,907	9,039,639	3,120,334	3,961,402	1,858,733
Liabilities										
Bills payable	563,020	-	-	-	-	-	-	-	-	
Due to financial institutions	353,000	303,000	50,000	-	-	-	-	-	-	
Deposits and other accounts	38,109,790	3,697,906	2,230,040	1,698,298	4,328,688	9,903,872	9,976,646	3,999,614	2,274,726	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	
Other liabilities	1,156,705	489,965	34,036	160,141	22,875	-	449,688	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
	40,182,515	4,750,891	2,567,076	1,908,439	4,351,563	9,903,872	9,976,646	4,449,302	2,274,726	
	4,764,163	10,244,580	1,373,309	631,072	(3,396,267)	(5,367,965)	(937,007)	(1,328,968)	1,686,676	1,858,733
Net assets										
Share capital / Head office capital account	5,279,679	-	-	-	-	-	-	-	-	-
Reserves	8,232	-	-	-	-	-	-	-	-	-
Accumulated losses	(556,130)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	32,382	-	-	-	-	-	-	-	-	-
	4,764,163	-	-	-	-	-	-	-	-	-

Total	2009 - (Restated)									
	Upto 1 Month	Over 1 to 3 Monthst	Over 3 To 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury banks	4,217,520	-	-	-	-	-	-	-	-	
Balances with other banks	2,059,808	-	-	-	-	-	-	-	-	
Due from financial institutions	4,018,813	-	-	-	-	-	-	-	-	
Investments	6,653,447	-	310,000	-	312,483	3,426,204	723,750	1,877,239	3,771	
Financings	10,457,303	512,831	600,276	1,174,372	3,490,917	735,527	1,909,165	977,695	479,504	
Operating fixed assets	2,375,515	30,655	61,311	91,966	204,271	367,862	153,306	478,019	620,263	
Deferred tax assets	366,566	-	-	-	-	-	-	-	366,566	
Other assets	4,043,550	618,850	422,200	403,272	2,519,827	20,169	59,232	-	-	
	34,192,522	11,458,477	1,083,787	1,979,610	6,215,015	1,415,872	5,723,400	1,913,983	2,834,762	1,567,616
Liabilities										
Bills payable	485,608	-	-	-	-	-	-	-	-	
Due to financial institutions	156,160	84,490	71,670	-	-	-	-	-	-	
Deposits and other accounts	27,911,651	15,837,571	1,310,956	933,579	3,103,787	401,287	1,275,356	3,395,503	1,653,612	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to Finance lease	-	-	-	-	-	-	-	-	-	
Other liabilities	918,705	335,022	59,855	102,408	-	-	421,420	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
	29,472,124	16,658,201	1,455,301	1,005,249	3,206,195	401,287	1,275,356	3,816,923	1,653,612	
	4,720,398	(5,199,724)	(371,514)	974,361	3,008,820	1,014,585	4,448,044	(1,902,940)	1,181,150	1,567,616
Net assets										
Share capital / Head office capital account	5,279,679	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(589,057)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	29,776	-	-	-	-	-	-	-	-	-
	4,720,398	-	-	-	-	-	-	-	-	-

39.6 Operational Risk

This is the collective term for all risks which arise through inadequate or failed internal processes, employees and systems or from external events and which can only be partially quantified. In addition, legal risks fall into this category. The Group is currently pursuing a Basic Indicator Approach (BIA), but wishes to move towards a more sophisticated approach in the coming years.

39.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Group follows a deliberate low-risk strategy. Within the general constraints of its niche market the Group is aware of the need of reducing risk. The Group has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

39.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Group actively supports these organizations through its membership of relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Group also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

39.9 Shariah Non-Compliance Risk

Shariah Non-compliance risk arises due to the lack of awareness amongst the staff while processing a particular transaction which may result in reputational loss to the Group, as well as, reversal of income of the Group in respect of that transaction.

This risk is covered by carrying out extensive Shariah training and orientation and frequent reviews by the Shariah department of the Group.

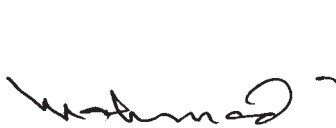
40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements have been approved by the Board of Directors of the Bank on March 07, 2011.

41. GENERAL

41.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.


41.2 The figures in the consolidated financial statements are rounded off to the nearest thousand of rupees.



Chairman



Chief Executive Officer



Director



Director

Annexure 1

Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value, are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	------(Rupees in '000)-----					
BMW 320 i	3,066	1,916	1,150	2,595	Bank Policy	Muhammad Imran -Employee
Toyota Corolla	942	777	165	175	Bank Policy	Faisal Sheikh-Employee
Honda City	1,018	925	93	479	Bank Policy	Shamshad Ahmed - Employee
Honda City	898	711	187	690	Bank Policy	Arsalan Vohra-Employee
Toyota Corolla	956	740	216	713	Bank Policy	Khawaja Ehrar-ul-Hasan-Employee
Honda Civic	1,572	1,059	513	1,125	Bank Policy	Akhter Ausaf-Employee
Honda Civic	1,626	932	694	1,013	Bank Policy	Asad Alim-Employee
Honda Civic	1,611	736	875	1,275	Bank Policy	Mujtaba Hussain-Employee
Honda Civic	1,934	500	1,434	1,434	Bank Policy	Syed Shah Sajid Hussain-Employee
Honda Civic	1,876	734	1,142	1,275	Bank Policy	Rehan Shuja Zaidi -Employee
Honda City	1,401	128	1,273	1,359	Bank Policy	Muhammad Furqan-Employee
Toyota Corolla	956	645	311	788	Bank Policy	Syed Muhammad Tausif -Employee
Suzuki Cultus	750	294	456	563	Bank Policy	Sultan Ahmed -Employee
Toyota Corolla	957	566	391	750	Bank Policy	Saad Ahmed Madni -Employee
Suzuki Cultus	881	345	536	581	Bank Policy	Ayesha Ashraf Jhangra -Employee
Suzuki Liana	825	454	371	499	Bank Policy	Muhammad Nadeem Cheema - Employee
Suzuki Liana	936	526	410	600	Bank Policy	Bilal Munawar-Employee
Honda Civic	1,527	990	537	1,088	Bank Policy	Shaikh Umer Iqbal - Employee
Suzuki Cultus	750	287	463	518	Bank Policy	Nauman Pervez - Employee
Suzuki Cultus	637	350	287	460	Bank Policy	Rana Amir Mahmood -Employee
Suzuki Cultus	752	263	489	525	Bank Policy	Zafar Iqbal- Employee
Suzuki Cultus	699	245	454	536	Bank Policy	Hassan Naseem- Employee
Suzuki Liana	1,027	377	650	650	Bank Policy	Abid Saeed Abbasi -Employee
Honda Civic	1,579	917	662	1,106	Bank Policy	Ahmed Mobeen Malik - Employee
Suzuki Liana	875	613	262	510	Bank Policy	Mubashir Hassan -Employee
Suzuki Liana	875	539	336	510	Bank Policy	Masood Hussain -Employee
Suzuki Liana	883	529	354	518	Bank Policy	Salman Ahmed Shah- Employee
Suzuki Liana	906	679	227	461	Bank Policy	Muhammad Junaid - Employee
Suzuki Liana	955	525	430	525	Bank Policy	Tanveer Ahmed Abidi- Employee
Suzuki Cultus	750	262	488	544	Bank Policy	Khurram Iqbal- Employee
Suzuki Cultus	726	290	436	540	Bank Policy	Monawar Raza Malik- Employee
Suzuki Cultus	699	268	431	536	Bank Policy	Muhammad Ayaz Ahmed - Employee
Suzuki Cultus	723	253	470	525	Bank Policy	Abdul Sami Khan Durrani- Employee
Suzuki Liana	906	679	227	473	Bank Policy	Imran Khurshed - Employee
Suzuki Liana	898	703	195	300	Bank Policy	Shoukat Ali - Employee
Suzuki Liana	875	612	263	521	Bank Policy	Amir Ali Durrani- Employee
Honda Civic	1,653	735	918	1,181	Bank Policy	Bilal Zuberi- Employee
Toyota Corolla	930	681	249	652	Bank Policy	Muhammad Ismail- Employee
Suzuki Baleno	893	893	-	368	Bank Policy	Qazi Hamid Jalaluddin- Employee
Suzuki Cultus	677	293	384	518	Bank Policy	Fasial Memon- Employee
Suzuki Liana	852	466	386	525	Bank Policy	Irfan Ahmed Ansari- Employee
Toyota Corolla	919	552	367	731	Bank Policy	Adnan Naseem - Employee
Suzuki Mehran	438	226	212	273	Bank Policy	Barat Ali - Employee
Suzuki Liana	1,031	357	674	690	Bank Policy	Saqib Ashraf- Employee
Suzuki Cultus	723	289	434	544	Bank Policy	Bilal Bin Saeed - Employee
Suzuki Cultus	723	277	446	552	Bank Policy	Adeel Ahmed Khan- Employee
Suzuki Liana	825	454	371	469	Bank Policy	Sohail Amir Khan- Employee
Suzuki Cultus	699	268	431	540	Bank Policy	Saleem Iqbal Naqvi- Employee
Suzuki Cultus	637	350	287	431	Bank Policy	Khalid Saeed Lone - Employee
Suzuki Cultus	750	289	461	518	Bank Policy	Naeem Kasi- Employee
Toyota Corolla	1,022	800	222	985	Auction	Muhammad Feroz Farooqui
Suzuki Cultus	723	253	470	715	Bank Policy	Altaf Warind - Employee
Mitsubishi Pajero	4,107	3,491	616	616	Bank Policy	Hasan A. Bilgrami - President/Chief Executive
Suzuki Liana	875	611	264	469	Bank Policy	Abdul Razzak- Employee
Honda City	936	780	156	399	Bank Policy	Muhammad Furqan- Employee
Honda Civic	1,876	734	1,142	1,275	Bank Policy	Farooq Anwar - Employee
Honda Civic	1,626	932	694	1,275	Bank Policy	Shoaib Khan- Employee
Honda Civic	1,629	962	667	1,144	Bank Policy	Sheba Matin Khan- Employee
Toyota Corolla	1,053	754	299	1,006	Auction	Noman Baig
	64,844	36,816	28,028	42,636		
Other property and equipment (having book value less than 250,000 or cost less than Rs. 1,000,000)	17,027	9,076	7,951	13,603		
Total	81,871	45,892	35,979	56,239		

PATTERN OF SHAREHOLDING

No. of Shareholders	Shareholding		Shares Held	Total Shares Held %
	From	To		
285	1	100	13,302	0.003
17287	101	500	8,213,841	1.556
4404	501	1000	3,386,310	0.641
2872	1001	5000	6,036,379	1.143
426	5001	10000	3,256,190	0.617
136	10001	15000	1,727,121	0.327
71	15001	20000	1,284,187	0.243
50	20001	25000	1,137,966	0.216
38	25001	30000	1,059,093	0.201
30	30001	35000	972,167	0.184
18	35001	40000	693,925	0.131
15	40001	45000	639,371	0.121
26	45001	50000	1,282,419	0.243
7	50001	55000	366,873	0.069
8	55001	60000	474,150	0.090
6	60001	65000	377,933	0.072
4	65001	70000	275,531	0.052
8	70001	75000	588,300	0.111
7	75001	80000	548,739	0.104
7	80001	85000	588,408	0.111
6	85001	90000	525,453	0.100
1	90001	95000	94,990	0.018
9	95001	100000	897,500	0.170
2	100001	105000	210,000	0.040
6	105001	110000	653,529	0.124
2	115001	120000	239,396	0.045
2	120001	125000	242,787	0.046
3	125001	130000	387,500	0.073
1	130001	135000	130,829	0.025
1	135001	140000	140,000	0.027
1	145001	150000	150,000	0.028
1	150001	155000	153,693	0.029
1	160001	165000	163,799	0.031
2	170001	175000	350,000	0.066
2	175001	180000	358,381	0.068
1	180001	185000	180,406	0.034
3	185001	190000	562,562	0.107
2	190001	195000	390,000	0.074
5	195001	200000	1,000,000	0.189
1	200001	205000	202,028	0.038
1	205001	210000	208,787	0.040
1	225001	230000	229,287	0.043

No. of Shareholders	Shareholding		Shares Held	Total Shares Held %
	From	To		
1	230001	235000	232,914	0.044
1	240001	245000	241,215	0.046
2	245001	250000	497,999	0.094
2	255001	260000	518,328	0.098
2	285001	290000	576,317	0.109
2	295001	300000	600,000	0.114
1	305001	310000	305,586	0.058
1	335001	340000	339,017	0.064
1	345001	350000	347,374	0.066
1	370001	375000	372,009	0.070
1	395001	400000	400,000	0.076
1	415001	420000	416,825	0.079
1	420001	425000	422,000	0.080
1	475001	480000	475,175	0.090
2	495001	500000	1,000,000	0.189
1	500001	505000	501,000	0.095
1	510001	515000	515,000	0.098
1	515001	520000	519,084	0.098
2	595001	600000	1,199,368	0.277
1	630001	635000	631,143	0.120
1	820001	825000	825,000	0.156
1	895001	900000	898,394	0.170
1	935001	940000	938,380	0.178
1	1175001	1180000	1,177,247	0.223
1	1215001	1220000	1,215,454	0.230
1	1250001	1255000	1,253,410	0.237
1	1265001	1270000	1,269,801	0.241
1	1290001	1295000	1,291,500	0.245
1	1505001	1510000	1,505,724	0.285
1	1600001	1605000	1,601,943	0.303
1	2025001	2030000	2,026,055	0.384
1	2510001	2515000	2,510,619	0.476
1	3195001	3200000	3,200,000	0.606
1	3795001	3800000	3,800,000	0.720
1	5240001	5245000	5,242,000	0.993
1	5700001	5705000	5,702,050	1.080
1	6600001	6605000	6,603,975	1.251
1	7295001	7300000	7,300,000	1.383
1	7650001	7655000	7,650,500	1.449
1	11325001	11330000	11,328,000	2.146
1	20770001	20775000	20,771,500	3.934
1	44195001	44200000	44,195,599	8.371
2	51420001	51425000	102,847,766	19.480
1	111255001	111260000	111,256,116	21.073
1	131050001	131055000	131,053,379	24.822
25811			527,967,898	100

CATEGORIES OF SHAREHOLDERS AS AT DECEMBER 31, 2010

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Directors, Chief Executive Officer, and their Spouse and Minor Children	5	103,477,674	19.60
Associated Companies, undertakings and related parties	2	242,309,495	45.89
Banks, Development Financial Institutions and Non Banking Financial Institutions	9	3,149,416	0.60
Insurance Companies	3	6,619,600	1.25
Modarba and Mutual Funds	11	32,253,874	6.11
General Public			
a: Local	25,674	51,807,764	9.81
b: Foreign	14	32,025,116	6.07
Others	93	56,324,959	10.67
Total	25,811	527,967,898	100.00

ADDITIONAL INFORMATION AS AT DECEMBER 31, 2010

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Associated Companies & Shareholders with more than 10 % shareholding			
Jahangir Siddiqui & Co. Ltd.	1	111,256,116	21.07
Dubai Bank PJSC	1	131,053,379	24.82
NIT & ICP			
National Bank of Pakistan - Trustee Department	1	599,368	0.11
Directors, Chief Executive Officer, and their Spouse and Minor Children			
Hasan A. Bilgrami	1	499,079	0.10
Ahmed G.M. Randeree	1	51,423,883	9.74
Chief Justice (Retd.) Mahboob Ahmed	1	130,829	0.02
Shabir Ahmed Randeree	1	51,423,883	9.74
Public Sector Companies, Corporations, Banks, DFIs, NBFIs, Insurance Companies, Modarba, Modarba Funds and other Organizations	119	107,695,688	20.40
General Public	25,684	73,885,673	14.00
Total	25,811	527,967,898	100.00

CORRESPONDENT BANKING NETWORK

COUNTRY	NAME OF BANK
AUSTRALIA	COMMONWEALTH BANK OF AUSTRALIA KEB AUSTRALIA LIMITED (KOREABANK)
AUSTRIA	RAIFFISENLANDESBANK OBEROESTERREICH
BAHRAIN	KOREA EXCHANGE BANK, BAHRAIN BRANCH NATIONAL BANK OF PAKISTAN
BANGLADESH	BANK ALFALAH LIMITED BANK ASIA LIMITED HABIB BANK LIMITED STANDARD CHARTERED BANK
BELARUS	JOINT-STOCK SAVINGS BANK BELARUSBANK
BELGIUM	HABIB BANK LIMITED
BRAZIL	BANCO KEB DO BRASIL S.A. (KOREABANK)
CANADA	HABIB CANADIAN BANK KOREA EXCHANGE BANK OF CANADA
CHINA	CHINA EVERBRIGHT BANK HARBIN COMMERCIAL BANK KOREA EXCHANGE BANK STANDARD CHARTERED BANK ZHEJIANG CHOUZHOU COMMERCIAL BANK CO., LTD ZHEJIANG PINGHU RURAL COOPERATIVE BANK
DJIBOUTI	BANQUE POUR LE COMMERCE ET L'INDUSTRIE-MER ROUGE
FINLAND	NORDEA BANK FINLAND PLC
FRANCE	HABIB BANK LIMITED KOREA EXCHANGE BANK NATIONAL BANK OF PAKISTAN UNION DE BANQUES ARABES ET FRANCAISES
GERMANY	COMMERZ BANK AG KOREA EXCHANGE BANK (DEUTSCHLAND) AG NATIONAL BANK OF PAKISTAN UNICREDIT BANK AG
GHANA	STANDARD CHARTERED BANK GHANA LIMITED
HONG KONG	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK LIMITED HBZ FINANCE LIMITED HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED KOREA EXCHANGE BANK MASHREQ BANK NATIONAL BANK OF PAKISTAN STANDARD CHARTERED BANK UNION BANK OF INDIA UNION DE BANQUES ARABES ET FRANCAISES

INDIA	MASHREQBANK STANDARD CHARTERED BANK UNION BANK OF INDIA
INDONESIA	KOREA EXCHANGE BANK DANAMON PT BANK MANDIRI (PERSERO) TBK STANDARD CHARTERED BANK
IRAN	BANK MELLI IRAN BANK MILLAT BANK SADERAT IRAN
ITALY	BANCA INTESA S.P.A. BANCA POPOLARE DI VICENZA SCPARL BANCA UBAE SPA BANCO POPOLARE DI VERONA UNICREDIT BANK
JAPAN	COMMONWEALTH BANK OF AUSTRALIA KOREA EXCHANGE BANK NATIONAL BANK OF PAKISTAN STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES
JORDAN	STANDARD CHARTERED BANK
KENYA	GULF AFRICAN BANK LIMITED HABIB BANK LIMITED KENYA COMMERCIAL BANK LIMITED STANDARD CHARTERED BANK
KOREA	KOREA EXCHANGE BANK NATIONAL BANK OF PAKISTAN STANDARD CHARTERED FIRST BANK KOREA LTD. UNION DE BANQUES ARABES ET FRANCAISES
KUWAIT	COMMERCIAL BANK OF KUWAIT SAK, THE
MALAYSIA	BANK MUAMALAT MALAYSIA BERHAD EON BANK BERHAD STANDARD CHARTERED BANK MALAYSIA BERHAD
MAURITIUS	HABIB BANK LIMITED MAURITIUS
NEPAL	HIMALAYAN BANK LIMITED STANDARD CHARTERED BANK
NETHERLANDS	HABIB BANK LIMITED KOREA EXCHANGE BANK
NIGERIA	PLATINUMHABIB BANK PLC
OMAN	HABIB BANK OMAN
PAKISTAN	ALBARAKA BANK (PAKISTAN) LIMITED ALLIED BANK LIMITED ASKARI BANK LTD BANK AL HABIB LIMITED BANK ALFALAH LIMITED BANK OF KHYBER (THE) BANK OF PUNJAB (THE) DAWOOD ISLAMIC BANK LIMITED DUBAI ISLAMIC BANK PAKISTAN LIMITED FAYSAL BANK LIMITED HABIB BANK LIMITED

	HABIB METROPOLITAN BANK LIMITED JS BANK LIMITED KASB BANK LIMITED MCB BANK LIMITED MEEZAN BANK LTD MY BANK LIMITED NATIONAL BANK OF PAKISTAN NIB BANK LIMITED SAMBA BANK LIMITED SILKBANK LIMITED SONERI BANK LIMITED STANDARD CHARTERED BANK PAKISTAN LIMITED SUMMIT BANK LIMITED UNITED BANK LTD
PANAMA	KOREA EXCHANGE BANK
PHILIPPINE	KOREA EXCHANGE BANK
QATAR	QATAR ISLAMIC BANK UNITED BANK LIMITED
ROMANIA	ROMANIAN INTERNATIONAL BANK SA
RUSSIA	RBS-ALLIANCE INVESTMENT AND FINANCE GROUP
SAUDI ARABIA	ALRAJHI BANKING & INVESTMENT CORPORATION NATIONAL BANK OF PAKISTAN NATIONAL COMMERCIAL BANK SAUDI HOLLANDI BANK
SINGAPORE	COMMONWEALTH BANK OF AUSTRALIA HABIB BANK LIMITED KOREA EXCHANGE BANK, SINGAPORE BRANCH STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES
SOUTH AFRICA	FIRST RAND BANK LIMITED HABIB OVERSEAS BANK LIMITED HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO (all Spanish offices) CAJA DE AHORROS DEL MEDITERRANEEED
SRI LANKA	HATTON NATIONAL BANK PLC STANDARD CHARTERED BANK
SWEDEN	SVENSKA HANDELSBANKEN
SWITZERLAND	ARAB BANK (SWITZERLAND) LIMITED HABIB BANK AG ZURICH HABIBSONS BANK LIMITED KOREA EXCHANGE BANK (SCHWEIZ) AG UNITED BANK A.G.
TAIWAN	STANDARD CHARTERED BANK
THAILAND	KOREA EXCHANGE BANK STANDARD CHARTERED BANK

TURKEY	HABIB BANK LIMITED TURKIYE FINANS KATILIM BANK TEKSTIL BANKASI S.A.
U.K.	BANCA INTESA S.P.A. COMMONWEALTH BANK OF AUSTRALIA HABIB – UK PLC HABIB BANK AG ZURICH HABIBSONS BANK LIMITED ISLAMIC BANK OF BRITAIN PLC JP MORGAN CHASE BANK N.A. KOREA EXCHANGE BANK MASHREQ BANK STANDARD CHARTERED BANK
U.S.A.	COMMONWEALTH BANK OF AUSTRALIA DEUTSCHE BANK TRUST COMPANY AMERICAS HABIB AMERICAN BANK HABIB BANK LIMITED KEB NY FINANCIAL CORPORATION MASHREQ BANK NATIONAL BANK OF PAKISTAN SAEHAN BANK, LOS ANGELES STANDARD CHARTERED BANK
UAE	ABU DHABI COMMERCIAL BANK ABU DHABI ISLAMIC BANK DUBAI BANK PJSC HABIB BANK AG ZURICH HABIB BANK LIMITED MASHREQ BANK STANDARD CHARTERED BANK
UKRAINE	CREDIT DNEPR BANK DEMARK BANK JS
VIETNAM	ASIA COMMERCIAL BANK KOREA EXCHANGE BANK, HANOI BRANCH VIETNAM ASIA COMMERCIAL JOINT-STOCK BANK VINASIAM BANK
YEMEN	SABA ISLAMIC BANK

BRANCH NETWORK*

SINDH

Main Branch Clifton (Karachi)

11th Floor, Executive Tower, Dolmen City,
Marine Drive, Block-4, Clifton, Karachi
Tel: (021) 35839906
Fax: (021) 35378373

26th Street D.H.A. Branch (Karachi)

31-C, Badar Commercial Street No.1, 26th Street,
Phase V, D.H.A. Karachi
Tel: (021) 35349244-5
Fax: (021) 35349243

Al Hilal Society Branch (Karachi)

Shop No.1 Ground Floor, Jawwad Court, Plot
No. SC-11, KDA Scheme No. 7, Main University Road,
Chandni Chowk, Karachi
Tel: (021) 34860713-16, 34860728
Fax: (021) 34860704

Baloch Colony Branch (Karachi)

Plot No. SA-2/1 Block-3 Administrative Society, Karachi
Tel: (021) 34300036-42
Fax: (021) 34300043

Baqai Medical University Branch (Karachi)

51-DHTOR, Baqai Medical Centre,
Super Highway, near Toll Plaza, Karachi
Tel: (021) 34410220-34410201
Fax: (021) 34410219

Burns Road Branch (Karachi)

Land Survey Sheet No. AM 51, Artillery Maidan Quarters,
Burns Road, Karachi
Tel: (021) 32215505, 32215527, 32215689
Fax: (021) 32215480

Cloth Market Branch (Karachi)

Shop-05, Cochinwala Market,
Laxmidas Street, Karachi
Tel: (021) 32469031-35
Fax: (021) 32469030

D.H.A. Phase IV Branch (Karachi)

Plot No.36-C, Sunset Commercial Street No.2,
D.H.A. Phase IV, Karachi
Tel: (021) 35313191-7
Fax: (021) 35313190

Dhoraji Branch (Karachi)

Al-Madina Heights, Plot Survey No. 35-C/449 CP Berar
Cooperative Housing Society, Dhoraji, Karachi
Tel: (021) 34860407-10, 34860566-68
Fax: (021) 34860569

F.B. Area Branch (Karachi)

Plot No. C-6, Block 4, F.B. Area,
KDA Scheme No. 16, Karachi
Tel: (021) 36362278, 36807782
Fax: (021) 36364659

Gulshan-e-Maymar Branch (Karachi)

Areeba Heaven, SB-3, Sector X-II, Karachi
Tel: (021) 36833354-5
Fax: (021) 36833445

Jodia Bazar Branch (Karachi)

Ibrahim Manzil, Darya Lal Street,
Jodia Bazar, Karachi
Tel: (021) 32462487-9, 32462831-4
Fax: (021) 32416366

Karachi Stock Exchange Branch (Karachi)

Room No. 520, 5th Floor, K.S.E. Building, Karachi
Tel: (021) 32462861-67
Fax: (021) 32462490

Korangi Branch (Karachi)

Plot No. 51/9-B, Sector 15,
Korangi Industrial Area, Karachi
Tel: (021) 35114488-91
Fax: (021) 35114494

Malir Cantt Branch (Karachi)

Plot No. 35, Block-5, Cantt Bazar,
Malir Cantt, Karachi
Tel: (021) 34491481-82
Fax: (021) 34491483

Nazimabad No. 7 Branch (Karachi)

Plot No.4, Row No 1, Sub Block-B, Block-III,
Nazimabad No. 7, Karachi
Tel: (021) 36707492-96
Fax: (021) 36707497

North Nazimabad Block A Branch (Karachi)

Shop No. 3A, 3B, 3C, 2B Unique Centre,
Block A, North Nazimabad, Karachi
Tel: (021) 36722504-6
Fax: (021) 36722507

North Nazimabad Branch (Karachi)

D-5, Block-I,
North Nazimabad, Karachi
Tel: (021) 36676474-75
Fax: (021) 36676488

Orangi Town Branch (Karachi)

Plot No. LS 55 & 56, ST 11-A, Sector 1,
Block D, Orangi Town, Karachi
Tel: (021)-36664031-34, 36692257-59
Fax: (021) 36662257

Power House Branch (Karachi)

ST-3 AS-28 Commercial Area, Sector 5-H,
Power House, New Karachi
Tel: (021) 36901356-9, 36901362
Fax: (021) 36901364

Rashid Minhas Road Branch (Karachi)

Plot No. FL-3/13 & 14, Block-5,
Gulshan-e-Iqbal, Karachi
Tel: (021) 34818227-9
Fax: (021) 34818135

S.I.T.E. Branch (Karachi)

Shop Nos. 8 & 9, Anum Trade Center,
E-31-B, Ghani Chowranghi, S.I.T.E., Karachi
Tel: (021) 32587661-2, 32587665
Fax: (021) 32587510

Shadman Town Branch (Karachi)

Shop No. 1-5, KDA Flats, Phase 3,
Sector 14/B, Shadman Town No.1,
North Nazimabad, Karachi
Tel: (021) 36950027-33
Fax: (021) 36950034

Shah Faisal Colony Branch (Karachi)

Shop No. 1 & 2, Plot No A/6, Shop No. 1 & 2,
Plot No. A/7 Survey No. 135, Deh Drigh Colony,
Shah Faisal Colony, Karachi
Tel: (021) 34686121-25
Fax: (021) 34686126

Shaheed-e-Millat Branch (Karachi)

Shop No. 15 & 16, Adam Arcade, B.M.C.H.S.,
Shaheed-e-Millat Road, Karachi
Tel: (021) 34145305-8
Fax: (021) 34145311

Shahra-e-Faisal Branch (Karachi)

Shop No. 1, Faisal Tower, Plot No. 25/3,
Survey Sheet No. 35/1, Block 7 & 8,
Maqbool C.H.S. Ltd., Karachi
Tel: (021) 34555985-87
Fax: (021) 34555991

University Road Branch (Karachi)

Adjacent to Dolphin Bakery, Saleem Plaza,
Block 16, Gulshan-e-Iqbal,
Karachi
Tel: (021) 34801540, 34839031-34
Fax: (021) 34801541

UP More Branch (Karachi)

LS-7, Street No. 8, Sub Sector 11-I,
North Karachi Township, Karachi
Tel: (021) 36950158-59-61-66
Fax: (021) 36950167

Gulistan-e-Jauhar Branch (Karachi)

Shop No. W-12, Eastern Pride, Block 15,
KDA Scheme 36, Gulistan-e-Johar,
Karachi
Tel: (021) 34619514-18, 34619563, 34619573-4
Fax: (021) 34619583

Saddar Branch (Karachi)

Habib Shopping Mall, Bohri Bazaar,
Raja Ghazanfar Ali Road, Karachi
Tel: (021) 35219891-94
Fax: (021) 35219895

Heerabad Branch (Hyderabad)

A/113-261, Jail Road, Heerabad,
Hyderabad
Tel: (022) 2636768-70, 2636862 -3
Fax: (022) 2636864

Auto Bahan Branch (Hyderabad)

Plot No. C-10-8, C-10- 3,
Block C, Auto Bahan Road, Hyderabad
Tel: (022) 3820301-7
Fax: (022) 3820308

Mirpurkhas Branch

New Town Station Road, Mirpur Khas
Tel: (0233) 874287
Fax: (0233) 875802

Sukkur Branch

Umar Welding Store City, Survey No. 3/21,
Station Road, Sukkur
Tel: (071) 5617322-8
Fax: (071) 5617329

Tando Allah Yar Branch

Mir Pur Khas Road,
Tando Allahyar
Tel: (022) 3892424, 3891442, 3892443
Fax: (022) 3891699

Nawabshah Branch

City Survey No. 225
Ward A Masjid Road, Nawabshah
Tel: (0244) 330920-4, 330926-7
Fax: (0244) 330928

Larkana Branch

City Survey No.1806
Word-A Bank Square Road, Larkana
Tel: (074) 4059833-6, 4059884-6
Fax: (074) 4059887

BALOCHISTAN

Jinnah Road Branch (Quetta)

Jinnah Road, Quetta
Tel: (081) 2821743-2821758
Fax: (081) 2821650

Iqbal Road Branch (Quetta)

Shop No. 605, Khewat No. 200,
Khatooni No. 234, Ward No. 18, Urban No. 1,
Sharah-e-Iqbal, Quetta
Tel: (081) 2866510-13-36
Fax: (081) 2829739

Airport Road Branch (Quetta)

Alam Khan Chowk, Airport Road, Quetta
Tel: (081) 2864627-29, 2840114, 2840121
Fax: (081) 2840135

Kuchlak Branch (Quetta)

Chaman Road, Quetta
Tel: (081) 2891591-2
Fax: (081) 2891580

Muslimbagh Branch

Muslimbagh, Balochistan
Tel: (0823) 669823-29
Fax: (0823) 669830

Qila Saifullah Branch

Main Junction Road, Qila Saifullah
Tel: (0823) 610895-899, 610804-806
Fax: (0823) 610806

Chaman Branch

Trench Road, Chaman
Tel: (0826) 618032-37
Fax: (0826) 618039

Pishin Branch

Bund Road, Opp Madina Hardware,
Pishin
Tel: (0826) 421381 421384
Fax: (0826) 421387

Loralai Branch

Bhagi Bazar, Loralai
Tel: (0824) 661696-700
Fax: (0824) 661701

Zhob Branch

Market Road, Zhob
Tel: (0822) 412130-31, 412047-49
Fax: (0822) 412136

Dukki Branch

Masjid Road, Dukki
Tel: (0824) 667301-303
Fax: (0824) 667306

PUNJAB

Jail Road Branch (Lahore)

Plot No. 5-A, House No.5, Main Gullberg Road, Near EFU Building, Jail Road, Lahore
Tel: (042) 35790571
Fax: (042) 35790573

Akbar Chowk Branch (Lahore)

883-D, Peco Road, Faisal Town, Akbar Chowk, Lahore
Tel: (042) 35221731-7
Fax: (042) 35221738

Circular Road Branch (Lahore)

Circular Road, Near Mochi Gate, Lahore
Tel: (042) 37374009-15
Fax: (042) 37374016

Azam Cloth Market Branch (Lahore)

F-1207 Azam Cloth Market, Lahore
Tel: (042) 37670188, 37658602, 37670256
Fax: (042) 37658232

Badami Bagh Branch (Lahore)

23-Peco Road, Badami Bagh, Lahore
Tel: (042) 37723865-68, 37723881
Fax: (042) 37723882

Darogha wala gate Branch (Lahore)

326 G.T.Road (Link Shalimar Road), Lahore
Tel: (042) 36530512-16
Fax: (042) 36530517

D.H.A. Y Block Branch (Lahore)

153, Y Block, D.H.A., Lahore
Tel: (042) 35692598-9, 35692637
Fax: (042) 35692499

Ferozepur Road Branch (Lahore)

Plot No. 174, Feroz Pur Road, Lahore
Tel: (042) 37524321-24-25-27
Fax: (042) 37524331

G-Block, D.H.A. Branch (Lahore)

47-G, Commercial Area, Phase I, Block-G, Stadium Road, D.H.A., Lahore
Tel: (042) 35691066-72
Fax: (042) 35691073

Thokar Niaz Baig Branch (Lahore)

3/D- Nawab Town, Raiwind Road, Thokar Niaz Baig, Lahore
Tel: (042) 35315636-40
Fax: (042) 35315641

Johar Town Branch (Lahore)

M-Block, Johar Town, Lahore
Tel: (042) 35315710
Fax: (042) 35315711

Airport Road Branch (Lahore)

Plot No. 595/8, Airport Road, Main Defence Road, Lahore Cantt (Adjacent to Phase VIII), Lahore
Tel: (042) 35701160-64
Fax: (042) 35701165

Walton Road Branch (Lahore)

Plot 48-E, Super Town, Walton Road, Cantt., Lahore
Tel: (042) 36603701
Fax: (042) 36603702

Gujranwala Branch

Gujranwala BX-11-75-7S-10-12, GT Road, Gujranwala
Tel: (055) 3820511-16
Fax: (055) 3820517

Jhang Branch

95-A College Chowk, Jhang
Tel: (047) 7651401-05
Fax: (047) 7651406

Abdali Road Branch (Multan)

Abdali Road, Chowk Nawab Sher, Multan
Tel: (061) 4500356-59
Fax: (061) 4500360

Gulguht Branch (Multan)

Jalal Masjid Chowk, Multan
Tel: (061) 6210371-5
Fax: (061) 6210376

Vehari Road Branch (Multan)

Vehari Road, Multan
Tel: (061) 6761900-6
Fax: (061) 6761907

SIE 1 Branch (Gujrat)

Danish Metal Work, SIE-1, Gujrat
Tel: (053) 3538010-15
Fax: (053) 3538016

D.G. Khan Branch

Jampur Road, Near District Hospital, D.G. Khan
Tel: (064) 2473201-7
Fax: (064) 2473208

Kotwali Road Branch (Faisalabad)

P-16, Kotwali Road, Faisalabad
Tel: (041) 2412123-29
Fax: (041) 2412130

Susan Road Branch (Faisalabad)

Plot No. S-8, Madina Town, Main Susan Road, Faisalabad
Tel: (041) 8728626-8, 8728631
Fax: (041) 8728671 / 8728708

Mian Channu Branch

Ghazi Mor, G.T Road, Mian Channu
Tel: (065) 2664001-7
Fax: (065) 2664008

Rahimyar Khan Branch

21-A, Model Town, Rahim Yar Khan
Tel: (068) 5886971-77
Fax: (068) 5886978

Sadiqabad Branch

Allama Iqbal Road, Opp. Ghalla Mandi, Sadiqabad
Tel: (068) 5700594-7, 5800591
Fax: (068) 5800598

Sargodha Branch

65/2, Railway Road, Sargodha
Tel: (048) 3768264-68
Fax: (048) 3768269

Bhawalpur Branch

Block No. 915, Circular Road, Bahawalpur
Tel: (062) 2732235-38
Fax: (062) 2732239 / 2732240

Okara Branch

69/1, M.A.Jinnah Road, Okara
Tel: (044) 2522901-6
Fax: (044) 2552907

Kashmir Road Branch (Sialkot)

B-III-116/99/2, Kashmir Road, Sialkot
Tel: (052) 4270419-20, 4270429-30, 4270439-40
Fax: (052) 4270426

Mainwali Branch

Mouza urra khel Pacca, Main Sargodha Road, Mainwali
Tel: (0459) 237531
Fax: (0459) 237532

Sahiwal Branch

418, High Street, Sahiwal
Tel: (040) 4228284-88, 4467688
Fax: (040) 4462688

Chaklala Scheme No. 3 (Rawalpindi)

Plot No.11, Commercial Bazar, Chaklala Scheme III, Rawalpindi
Tel: (051) 5766140-43
Fax: (051) 5766144

Satellite Town Branch (Rawalpindi)

69/B, 4th Road, Commercial Market, Satellite Town, Rawalpindi
Tel: (051) 4572001-4
Fax: (051) 4572005

Saddar Branch (Rawalpindi)

60-Bank Road, RWP Cantt, Rawalpindi
Tel: (051) 5120381-4
Fax: (051) 5120385

Jehlum Branch

Tehsil Road, Near Shandar Chowk, Jehlum
Tel: (0544) 620503-4-8
Fax: (0544) 620498

Hazro Branch

Circular Road, Hazro
Tel: (057) 2310048-51
Fax: (057) 2310019

Taxila Branch

Faisal Shaheed Road, Taxila
Tel: (051) 4535055-8
Fax: (051) 4534985 / 4535047

Turnol Branch

Muhammad Ayub Plaza, Main G.T Road, Islamabad
Tel: (051) 2217022
Fax: (051) 2217021

Wah Cantt. Branch

A-12, Shahwali Colony, Mall Road, Wah Cantt
Tel: (051) 4539046-7
Fax: (051) 4539044

Chakwal Branch

Khasra No. 4516, Jhelum Road, Chakwal
Tel: (0543) 552739, 44,45,56
Fax: (0543) 552742 / 552760

KHYBER PAKHTUNKHWA

Khyber Bazar Branch (Peshawar)

Shop No.6 & 7, Ground Floor, Survey No. 412/B(1) Haji Khan Building, Opposite U Plaza Situated at Khyber Bazar, Peshawar
Tel: (091) 2590341-6
Fax: (091) 2590347-8

Jamrud Road Branch (Peshawar)

Near Hotel Grand, Jamrud Road, Peshawar
Tel: (091) 5711482-4
Fax: (091) 5711489

Haripur Branch

Circular Road, Haripur
Tel: (0995) 613570-3
Fax: (0995) 613574

Mansehra Branch

Swati Arcade, Abbottabad Road, Tehsil & District Mansehra
Tel: (0997) 307761-4
Fax: (0997) 303479

Dera Ismail Khan Branch

West Circular Road, Near Taank Adda, Dera Ismail Khan
Tel: (0966) 715018-20
Fax: (0966) 715021

Abbottabad Branch

Abbottabad Business Complex (ABC Plaza), Aamir Shaheed Road, Supply Bazar, Abbottabad
Tel: (0992) 343959-63
Fax: (0992) 343957, 343964

Chitral Branch

Attalique Bazar, Chitral
Tel: (0943) 414501,414530,414550
Fax: (0943) 414591

Gilgit Branch

Askari Bakers, Gilgit Cantt
Tel: (05811) 457832-6
Fax: (05811) 457837

ISLAMABAD & AZAD KASHMIR

Blue Area Branch (Islamabad)

5-6, Chenab Center, Block-104-E,F/G-7, Jinnah Avenue, Islamabad
Tel: (051) 2804271-74
Fax: (051) 2804275

I-9 Branch (Islamabad)

Plot No-2 E, I-9 Markaz, Islamabad.
Tel: (051) 4858403-08
Fax: (051) 4445852

I-8 Branch (Islamabad)

Executive Centre, I-8 Markaz, Islamabad
Tel: (051) 4861017, 4861029, 4861117
Fax: (051) 4861118

F-10 Markaz Branch (Islamabad)

Plot No.6-C, Insaf Plaza, F-10 Markaz, Islamabad
Tel: (051) 2222961-64
Fax: (051) 2222965-6

Mirpur Branch

Plot No. 2-B/3, Sub Sector A/2, Mian Muhammad Road, Mirpur, AJK
Tel: (05827) 439700-04
Fax: (05827) 439705

Islamgarh Branch

Ground Floor, Main Kotli Road, Islam Garh Tehsil, District Mirpur, AJK
Tel: (05827) 423971-74
Fax: (05827) 423970

PROXY FORM

7th Annual General Meeting

The Company Secretary
BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block - 4, Clifton
Karachi - Pakistan.

I/We _____ of _____ being a member(s) of
BankIslami Pakistan Limited and holder of _____ ordinary shares as per
Share Register Folio No. _____ and / or CDC Investor
Account No./Participant I.D. No. _____ and sub Account No. _____ do
hereby appoint _____ of _____
or failing him / her _____ of _____ as my/our proxy to vote

and act for me / us on my / our behalf at the 7th Annual General Meeting of BankIslami Pakistan Limited,
to be held on Wednesday, March 30, 2011 at 08:30 a.m. at Hotel Regent Plaza, Shakra-e-Faisal, Karachi,
and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Witness:

Name: _____

Address: _____

Signature of Member(s)

CNIC or Passport No. _____

Notes:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.

Please affix
correct
postage

The Company Secretary

BankIslami Pakistan Limited

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan

Our Value Added Services



24 Hours Call Centre: Just call us at 111-ISLAMI (111-475264) any time of the week

Online Banking: Access your funds from our online network of 102 branches in 49 cities

VISA Debit Card: Access to over 1 million ATMs and 10 million merchant outlets globally

FREE Internet Banking: Access your account information and transaction history at home or office 24 hours a day, 7 days a week

eStatement: Enjoy daily, weekly, monthly or yearly statement of your account whenever and wherever required

Safe Deposit Lockers: Enjoy safety of your valuables in strong heat resistant steel lockers with 24 hours security

Interbank Funds Transfer: Enjoy Branchless, Cashless & Chequeless transfer of funds to your friends, relatives & business associates via ATM

Our Products

Islami Auto Ijarah

Islami Current Account

Islami Mahana Munafa Account

Islami Amadni Certificate

Ijarah

Salam Financing

Musharakah Financing

MUSKUN - Home Financing

Islami Bachat Account

Islami Dollar Bachat Account

Murabahah Financing

Islami Export Re-finance

Istisna Financing

Diminishing Musharakah Financing

بِنَاكِ اِسْلَامِي

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block - 4, Karachi, Pakistan

Tel: (92-21) 111-247-111 (111-BIP-111), Fax: (92-21) 35378373

www.bankislami.com.pk