



Enabling success  
Realising dreams

NIB Bank Limited  
Annual Report 2009



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Proxy Form

## Company Information

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### Board of Directors

Francis Andrew Rozario	Chairman
Syed Aamir Zahidi	Director
Tejpal Singh Hora	Director
Chia Yew Hock Wilson	Director
Sng Seow Wah	Director
Mahmudul Huq Bhuiyan	Director
Asif Jooma	Director
Khawaja Iqbal Hassan	Director & President/CEO

### Board Audit Committee

Chia Yew Hock Wilson	Chairman
Syed Aamir Zahidi	Member
Mahmudul Huq Bhuiyan	Member

### Company Secretary

Yameen Kerai

### Chief Financial Officer

Rayomond Kotwal

### Registered Office

Muhammadi House  
I.I. Chundrigar Road  
Karachi-74000.  
UAN: (021) 111 333 111  
Email: info@nibpk.com  
URL: www.nibpk.com

### Share Registrar Office

THK Associates (Pvt.) Limited  
Ground Floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road  
Karachi-75530.  
UAN: (021) 111 000 322

### Auditors

M/s. KPMG Taseer Hadi & Co.  
Chartered Accountants

### Legal Advisor

M/s. Mandviwalla & Zafar  
Advocates

### Credit Rating

Long Term: AA-  
Short Term: A1+  
Rating Agency: PACRA

## Notice of Annual General Meeting

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Notice is hereby given that the Seventh Annual General Meeting of NIB Bank Limited will be held at Jinnah Auditorium, Institute of Bankers Pakistan, Moulvi Tamizuddin Khan Road, Karachi at 9:30 am on Tuesday, the 30th March 2010 to transact the following businesses:

### ORDINARY BUSINESS

1. To confirm the minutes of the 6th Annual General Meeting held on 24th April 2009.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended 31st December 2009 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration. M/s. KPMG Taseer Hadi & Co., Chartered Accountants have offered themselves for the re-appointment.
4. To elect the directors of the Bank for a period of 3 (three) years in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The number of directors to be elected has been fixed as 8 (eight) pursuant to the provisions of section 178(1) of the Companies Ordinance, 1984. The following directors are retiring:
  - a) Francis Andrew Rozario
  - b) Syed Aamir Zahidi
  - c) Tejpal Singh Hora
  - d) Chia Yew Hock Wilson
  - e) Sng Seow Wah
  - f) Mahmudul Huq Bhuiyan
  - g) Asif Jooma
  - h) Khawaja Iqbal Hassan

### SPECIAL BUSINESS

5. To grant post facto approval to the payment of remuneration fixed by the Board for the Non Executive Directors, in terms of State Bank of Pakistan Prudential Regulations # G-1(C)(2) for Corporate / Commercial Banking and for this purpose, to pass the following resolution as a Special Resolution:

**RESOLVED** as and by way of Special Resolution **THAT** post facto approval for payment of remuneration fixed by the Board for Non Executive Director in terms of State Bank of Pakistan's Prudential Regulation # G-1(C)(2) for Corporate / Commercial Banking be and is hereby granted.

6. To consider and if thought fit to raise further share capital of the Bank by the issue and allotment of further shares of the Bank in terms of the Employees Stock Option Plan and for this purpose, to pass the following resolution as a Special Resolution:

**RESOLVED** as and by way of Special Resolution **THAT** subject to the approval of the Securities and Exchange Commission of Pakistan, the Bank be and is hereby authorized to raise further capital and to allot and issue further shares of the Bank up to a maximum of three percent (3%) of the total issued share capital of the Bank in terms of the Employees Stock Option Plan (ESOP), a copy whereof was tabled at and considered by this meeting, and for purposes of identification initialled by the chairman of this meeting and the principal features of which ESOP are summarized below:

- The options may be granted in respect of the ordinary shares of the Bank of up to a maximum of 3% of the total issued share capital of the Bank, that is, an aggregate of 121,311,812 shares.
- The options are to be granted to the Key Management Employees (KMEs) who are permanent/regular employees of the Bank and on its payroll, who report directly to the Chief Executive and those employees who report to the employees who report directly to the Chief Executive but excluding executive directors and the Chief Executive.

## Notice of Annual General Meeting

- The maximum number of shares to be offered, and in respect of which options may be granted, to a KME, shall not exceed 20% of the total number of shares in respect of which options may be granted.
- The vesting will only occur upon the Bank achieving the performance targets for the years 2012, 2013 and 2014 as approved by the Board of Directors of the Bank under the ESOP.
- The time-period after vesting within which a KME may exercise his/her right to apply for shares against an option granted to and vested in him/her in pursuance of the ESOP, expires on 31st December 2017.
- The exercise price payable by a KME exercising an option granted to and vested in him/her in pursuance of the ESOP, is Rs.10.69 per share.
- Upon the vesting, only up to 50% of the vested option for each tranche may be exercised. The remaining 50% of vested options may only be exercisable up to 31st December 2017 and after the last vesting.
- The Committee constituted by the Board to administer and supervise the ESOP, will in accordance with the terms of the ESOP, determine the eligibility and quantum of grant for each KME.
- The Bank shall strictly conform to the accounting policies specified in Rule 13 of the Public Companies (Employees Stock Option Scheme) Rules, 2001.

7. Any other business with the permission of the Chair.

Statements as required under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business contained in the Notice to be considered at the meeting are annexed to the Notice of the meeting being sent to the members.

By Order of the Board

Karachi :

Dated : 9th March 2010

**Yameen Kerai**

Company Secretary

### Notes:

1. Share Transfer Books of the Bank will remain closed from 22nd March to 30th March 2010 (both days inclusive).
2. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his / her proxy to attend and vote. A shareholder can appoint only one proxy to attend the meeting. Proxies, in order to be effective, must be received at the Registered Office of the Bank situated at Muhammadi House, I.I. Chundrigar Road, Karachi (Pakistan) not later than 48 (forty eight) hours before the time of meeting, and must be duly stamped, signed and witnessed.
3. Every candidate who seeks to contest the election, whether he is retiring director or otherwise, shall file with the Bank at least 14 days before the meeting a notice of his intention to offer himself for election as director along with his consent in the prescribed form to his appointment as director of the Bank along with declaration as required under the Code of Corporate Governance (Listing Regulations) and "Fit and Proper Test" affidavit and a complete set of documents as required in terms of State Bank of Pakistan's Prudential Regulations.
4. Shareholders are requested to notify any change in their addresses immediately to the Bank or Share Registrar, M/s. THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi (Pakistan).
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated the 26th January 2000 issued by the Securities and Exchange Commission of Pakistan:

#### For attending the meeting:

In case of individuals, the account holder or sub-account holder or investor account holder shall authenticate identity by showing his / her original computerized national identity card (CNIC) or original passport at the time of attending the meeting.

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

## Notice of Annual General Meeting

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### For appointing proxies:

In case of individuals, the account holder or sub-account holder or investor account holder shall submit the proxy form as per the above requirement.

The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.

Attested copy of CNIC or the Passport, of the account holder or sub-account holder or investor account holder shall be furnished with the proxy form.

The proxy shall produce his original CNIC or original Passport at the time of the meeting.

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.

### **STATEMENTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

The material facts concerning the special business to be transacted at the Annual General Meeting are given below:

#### Remuneration to Non Executive Directors and Chairman:

As per State Bank of Pakistan's Prudential Regulation # G-1(C)(2), the Banks / DFIs during a calendar year may pay a reasonable and appropriate remuneration for attending the Board or its Committee(s) meeting(s), to their non-executive directors and chairman, which should be linked to the actual number of Board / Committee meetings attended by an individual director / chairman. Furthermore, the scale of remuneration to be paid to the non-executive directors / chairman for attending the Board and / or Committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General meeting. During 2009 an amount of Rs.1.864 mn has been paid to non-executive directors.

For the purpose aforesaid it is proposed that the resolution set out in the notice convening the Annual General Meeting of the Bank be passed as and by way of a Special Resolution.

#### Employees Stock Option Plan ("ESOP"):

The Bank had in 2007 proposed to adopt an ESOP, which had also been approved by the shareholders at the Extraordinary General Meeting on 1st February 2007. However, due to certain changes in the Bank's equity and performance targets, the original ESOP was required to be amended, and is therefore being placed for approval again, before the shareholders at this Annual General Meeting.

The Bank proposes to adopt the Employees Stock Option Plan ("ESOP") (which is a revised version of the previous plan), pursuant to which the Bank shall grant options to upto 50 Key Management Employees ("KMEs"), who for the purposes of the Plan, are those Employees who report directly to the Chief Executive (President) and those Employees who report to the Employees who report directly to the Chief Executive (President). For the purposes of the ESOP the term "Employee" refers to permanent/regular employees of the Bank, who are on the payroll of the Bank, excluding executive directors and the Chief Executive (President).

The purpose and intent of adopting the ESOP is to (i) enhance value creation for the Bank's shareholders by aligning management's interests with those of its shareholders, (ii) retain and instil loyalty amongst KMEs whose contribution is essential to the long term growth and profitability of the Bank, (iii) to introduce a performance based incentive that will drive KMEs to achieve the Bank's objectives to be one of the top five banks in the country, the employer of choice and the bank that serves customers that currently have limited or no access to banking services, (iv) increase and emphasise variable compensation over fixed compensation, (v) reward and incentivise KMEs who have joined the Bank and will assist the Board and the President in reshaping the Bank for it to become a major player in the market, (vi) motivate KMEs towards meeting the Bank's financial targets and (vii) retain the services KMEs on a long term basis.

The options may be granted in respect of the ordinary shares of the Bank of up to a maximum of 3% of the total issued share capital of the Bank. The maximum number of shares in respect of which options may be granted in the aggregate is 121,311,812 shares. In the event there is a change in the paid up share capital of the Bank on account of a rights or bonus issue or other corporate action, the number of shares in respect of which options may be granted in the aggregate will be increased such that the total number of shares available for the grant of options shall be 3% of the increased share capital of the Bank.

## Notice of Annual General Meeting

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The maximum number of shares to be offered, and in respect of which options may be granted, to a KME, shall not exceed 20% of the total number of shares in respect of which options may be granted. The shares of the Bank offered under the ESOP will rank pari passu in all respects with the existing ordinary shares of the Bank.

Options under the ESOP may be granted at any time up to 31st March 2011 to KMEs and prospective KMEs, being persons recruited by the Bank, hereafter, but in any event on or before 31st March 2011.

The vesting of the options granted takes place in three equal tranches and shall be triggered upon and subject to the achievement of the Performance Targets of Profit After Tax ("PAT") and of Return On Equity ("ROE") for the Financial Years 2012, 2013 and 2014 (+/-10%). The targets are as follows:

- Year 2012 - PAT target is Pak Rs. 2,210 million and ROE target is 5.1%
- Year 2013 - PAT target is Pak Rs. 3,554 million and ROE target is 7.9%
- Year 2014 - PAT target is Pak Rs. 4,794 million and ROE target is 9.8%

If the performance target for the Financial Year 2012 is achieved, then the first tranche equivalent to 1/3rd of the Shares comprised in the option shall vest on 31st March 2013, i.e., upon the confirmation of the financial results. Similarly, the second and third tranches of the options for the years 2013 and 2014 will vest in the years 2014 and 2015 respectively upon achieving the performance targets determined for those years. If the performance targets for a given year are not achieved then a two year grace period will be given. If those targets are not achieved in the two year grace period, then the tranche for that particular year shall lapse and shall be of no effect.

After the grant of options, the vesting will only occur upon the Bank achieving the performance targets for the years 2012, 2013 and 2014 as approved by the Board of Directors of the Bank under the ESOP, and as such until the vesting the KMEs cannot dispose his/her entitlement to the shares.

The Exercise Price is Rs.10.69 per share, which was approved by the Board of Directors of the Bank at its meeting held on 26th February 2010 and payable by a KME exercising an option granted to and vested in him/her in pursuance of the ESOP, adjustable in accordance with the following:

- in the event there is a change in the paid up share capital of the Bank on account of a rights or bonus issue or other corporate action, the value of the options would necessarily change due to there being more shares in circulation, and accordingly in order to keep the value of the options intact and depending on the extent of the dilution suffered by the holders of the options, the Committee constituted by the Board to administer and supervise the ESOP, may consider:
  - increasing the number of shares offered to KMEs to whom an option has been granted (collectively and individually); or
  - decreasing the Exercise Price; or
  - a combination of the above.

The time-period after vesting within which a KME may exercise his/her right to apply for shares against an option granted to and vested in him/her in pursuance of the ESOP, expires on 31st December 2017.

Upon the vesting, only up to 50% of the vested option for each tranche ("Unrestricted Portion of the Vested Option") may be exercised. The remaining 50% of vested options ("Restricted Portion of the Vested Option") may only be exercisable up to 31st December 2017 and after the last vesting. In case of failure of a KME to exercise the option up till 31st December 2017, the option so vested shall lapse, and the Bank shall not be obligated to issue or allot any shares in respect of such option or any portion thereof.

The Committee constituted by the Board to administer and supervise the ESOP, will in accordance with the terms of the ESOP, determine the eligibility and quantum of grant for each KME. Such Committee's decision shall be final.

For the purposes of accounting, the Bank shall strictly conform to the accounting policies specified in Rule 13 of the Rules.

The Directors of the Bank have no interest in the ESOP.

For the purpose aforesaid it is proposed that the resolution set out in the notice convening the Annual General Meeting of the Bank be passed as and by way of a Special Resolution.

# Directors' Report to the Shareholders

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## THE ECONOMY

Although economic conditions remain stressed, key indicators have shown improvement in the backdrop of the IMF program. After peaking at 25% in 2008, inflation has reduced to a more manageable level of 10.5%. Although exports reduced in FY09, falling oil and commodity prices resulted in lower imports. Consequently, the current account deficit improved from 8.4% to 5.3% of GDP and the fiscal deficit also reduced from 7.4% to 5.2% of GDP. During the year, the stock market rebounded on the back of renewed investor confidence, with the KSE-100 Index increasing by 60%. During the first half of FY10, the trade and current account deficits have continued to decline, while the pass through of fuel subsidies is expected to contribute to a lower fiscal deficit, although revenue generation remains a concern for the Government. The IMF program remains well on track and the Government continues to meet most monetary and structural reform targets. The manufacturing sector is showing signs of growth, but a speedy resolution of the power crisis which plagued industry last year is essential to revive the economy.

## BANKING SECTOR

As a consequence of reducing inflation, the State Bank of Pakistan eased its monetary policy with a 250 bps lowering of the discount rate during 2009. Consequently market rates fell sharply during the first half of the year before stabilizing over the last six months. Liquidity is expected to remain tight with higher private sector credit offtake, continued borrowing by public sector enterprises, slower retirement of seasonal financing and delayed inflows from foreign sources and further interest rate cuts in the short term will depend on market liquidity and inflation.

The nine month results of the banking sector showed a decline in profitability of 18% over 2008 driven mainly by higher provisioning expense. Non-performing loans for the system surged by 28% to over Rs 400 billion as most borrowers remained stressed due to the weak economic environment and stagnant industry growth resulting from the power crisis in the country. Consequently, provisions for the industry for the first nine months of 2009 increased by 25% compared to the same period in 2008. Total banking sector loans declined by 4% as most lenders adopted a cautious stance in the backdrop of rising credit costs. Deposits, after remaining stagnant for most of 2009, grew by over Rs 200 billion in the last quarter.

## OPERATING RESULTS

In 2009 NIB has declared a profit after tax of Rs 691 million on an unconsolidated basis, a significant improvement over 2008. This improvement is a reflection of the steps taken by the Bank in 2008 when it brought in additional capital of Rs 12 billion and took a conservative provisioning approach to safeguard against future economic volatility. These results have been achieved through better performance in all areas; loan and low cost deposit growth, reduction in cost of funds and tight control over provisions and operating expenses.

On a consolidated basis, NIB delivered a profit after tax of Rs 1,494 million. The difference of Rs 800 million between the unconsolidated and consolidated results is primarily due to improvements in the value of the funds of PICIC Asset Management Company as a result of the recovery in the equity markets.

NIB now has 223 branches in 60 cities across the country, serving over 600,000 customers. 222 branches are dedicated to the Bank's Retail, SME and Small Businesses, in which 120,000 new customers were added and new loans worth nearly Rs 10 billion were disbursed during 2009. The Bank also increased its lending to top tier Corporate and Public Sector customers, to whom over Rs 11 bn of loans were disbursed. Consequently, loans in the Bank's core segments grew by 24% over 2008.

NIB succeeded in reducing its cost of funds by 266 bps over the year, by adding Rs 10 billion in current and savings accounts which now form 59% of the deposit base, up from 44% in 2008. At the same time, the Bank achieved a planned reduction of Rs 28 bn of expensive term deposits which it had taken at the end of 2008 and in early 2009. As a result, total deposits reduced by Rs 10 billion. The Bank continues to focus on generating lower cost deposits as a cornerstone of its strategy and plans to launch innovative deposit products in 2010.

Net markup income in 2009 increased by 23% over 2008 as a result of better quality loan growth and improvement in spreads. The Bank achieved substantial capital gains in both the debt and equity markets through leveraging market opportunities; however these were offset by reduced foreign exchange income caused by higher premiums and lower



## Directors' Report to the Shareholders

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market volatility. Non-markup income was thus maintained at the previous year's levels excluding the impact of a 1-time dividend of Rs 750 million received from PICIC Asset Management Company in 2008.

During the year NIB improved staff quality through hiring and more than 16,000 man days of training. The bank also upgraded infrastructure in most branches, and continued to make investments in technology that will benefit NIB's customers. In 2009, NIB rolled out its new Core Banking system and converted all branches to the new, more efficient and flexible platform. Progress was also made towards the implementation of new HR and MIS systems.

Despite these investments, the Bank was able to reduce its operating expenses by over 20% over 2008. This was achieved through a strong focus on improving operating efficiency. As a result, the Bank's cost/income ratio reduced from 99% in 2008 to 74% in 2009. Although the recent uptick in inflation and rising utilities costs will exert pressure on expenses in 2010, the Bank remains committed to managing its expenses in the best interests of its shareholders and improving its efficiency ratios.

The Bank focused on prudent customer selection, and rehabilitation of genuinely distressed customers in 2009. NIB also aggressively pursued recovery and litigation of defaulting customers which resulted in cash recoveries of over Rs 2 billion during the year. Consequently, net provisions reduced by more than 90% from 2008 levels. The Bank also appreciates the efforts made by the State Bank of Pakistan to encourage more realistic provisioning levels by restoring some of the benefit of Forced Sale Value of collateral.

### FUTURE OUTLOOK

With a return to profitability in 2009 and an improving economic environment, NIB is positioned for stronger growth in the coming year. The Bank's revenue and deposit base are on the right trajectory, and with credit conditions beginning to ease, the Bank expects to increase its lending activities in targeted segments. NIB continues to improve productivity and operating efficiencies by introducing greater automation and keeping a strong control over costs.

### CREDIT RATING

Recognizing the progress that NIB has made and the strength of the Bank's capital base, PACRA **maintained NIB's long term rating at AA-** (Double A minus) and short term rating at A1+ (A one plus) in June 2009, even in this difficult environment. The rating on NIB's term finance certificates issued in March 2008 was **also maintained at A+** (A plus).

### CORPORATE GOVERNANCE

During the year under review, the Bank is compliant with the provisions of the Code of Corporate Governance. Being aware of their responsibilities under the Code of Corporate Governance, the Board of Directors state that:

- The Financial Statements prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies, except hereinafter mentioned, have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations of Stock Exchanges and the Company is following these meticulously.
- As of 31st December 2009, the value of investments of the Provident Fund (un-audited) was Rs.171.6 million.

## Directors' Report to the Shareholders

- No trading during the year in the shares of the Bank was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.
- Given the growth expected in the bank's business and the expected continued volatility in Pakistan's credit markets the Board of Directors felt that earnings should be retained to supplement Tier 1 capital, therefore, no dividends were declared for the year.
- Six years financial data for NIB unconsolidated is provided hereunder:

### SIX YEARS FINANCIAL DATA

<i>Rs mn</i>	2009	2008	2007	2006	2005	2004
Advances	84,021	80,344	81,932	31,052	19,623	11,737
Deposits and other accounts	93,920	104,586	116,671	30,566	21,124	10,648
Total Assets	208,119	178,909	176,872	46,423	32,019	16,557
Net Assets	41,528	39,699	36,453	4,327	4,213	1,364
Share capital	40,437	28,437	22,018	3,362	3,362	1,229
Net Mark-up / Interest Income	5,400	4,402	2,004	1,021	598	391
Total Non-Markup / Interest income	1,682	2,421	927	495	233	111
Total Non-Markup / Interest expense	5,243	8,164	2,146	1,224	713	398
Profit / (Loss) before taxation	644	(10,998)	(710)	22	27	31
Profit / (Loss) after taxation	691	(7,475)	(490)	118	104	123
Basic / diluted earnings / (loss) per share (Rupees)	0.17	(2.63)	(0.44)	0.21	0.45	0.99

- During 2009 five Board meetings were held and were attended by the Directors as follows:

<u>Name of Directors</u>	<u>Total Meetings Eligible to Attend</u>	<u>Total Meetings Attended</u>	<u>Percentage</u>
Mr. Francis Andrew Rozario	5	5	100%
Syed Aamir Zahidi	5	5	100%
Mr. Tejpal Singh Hora	5	4	80%
Mr. Mahmudul Huq Bhuiyan	5	2	40%
Mr. Asif Jooma	5	4	80%
Mr. Chia Yew Hock Wilson *	2	2	100%
Mr. Sng Seow Wah *	0	0	–
Khawaja Iqbal Hassan	5	5	100%
Mr. Tan Soo Nan **	3	1	33%
Mr. Willie Wai Kong Chan **	5	3	60%

Leave of absence was granted in case the directors were not able to attend the Board Meeting.

\* Appointed in 2009

\*\* Resigned in 2009

## Directors' Report to the Shareholders

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### INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

The Board is pleased to endorse the statements made by the management relating to internal control and the risk assessment framework to meet the requirement of the State Bank of Pakistan (SBP) BSD Circular No. 7 of 2004, BSD Circular letter No. 2 of 2005 and Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The management's statements are included in the annual report.

### PATTERN OF SHAREHOLDING

The pattern of shareholding as at 31st December 2009 is included in the annual report.

### ACKNOWLEDGEMENT

NIB is grateful to its customers for their continued support, and is dedicated to always keeping them first, and to continuously improving the quality of their experience with the Bank. The SBP, SECP and other regulatory bodies have, as always, been a constant source of support and guidance which is sincerely appreciated. NIB also thanks its employees, the Bank's most important asset, for their commitment, and for their untiring efforts to help achieve NIB's vision of becoming the most admired financial institution in Pakistan.

### SUMMARY

NIB remains sound and strong with a capital adequacy well in excess of regulatory requirements. The Board of Directors and the management of NIB remain committed to achieving the Bank's mission of improving the quality of life of millions and invite those who are not yet part of the NIB family to join in the Bank's exciting future. NIB is grateful to its major shareholder, Fullerton Financial Holdings, a subsidiary of Temasek Holdings of Singapore, who have repeatedly demonstrated their commitment to the Bank and to Pakistan. The Board is confident that NIB's strategy will allow it to achieve its core purpose of enabling the success and realizing the dreams of the people of Pakistan.

On behalf of the Board,

**Francis A. Rozario**  
Chairman

**Khawaja Iqbal Hassan**  
President & CEO

## Statement of Compliance with Code of Corporate Governance For the year ended December 31, 2009

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This statement is being presented to comply with Code of Corporate Governance contained in Listing Regulations of stock exchanges where the Bank's shares are listed and Regulation G-1 of SBP's Prudential Regulations.

The Bank has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board including those representing minority interests. At present all the directors are non executive (as defined under CCG) except for the Chief Executive Officer.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the 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 Development Financial Institution or Non Banking Finance Company. None of the directors of the Bank are members of any Stock Exchange.
4. Two casual vacancies occurred during 2009 were duly filled in.
5. The Bank has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision/mission statement and an overall corporate strategy. Significant policies of the Bank have been prepared and approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved is being maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board at the appropriate time.
8. The meetings of the Board were presided over by the Chairman. The Board held five meetings during the year. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The CFO and Company Secretary attended all the meetings of the Board of Directors during the year.
9. The directors of the Bank have given a declaration that they are aware of their duties, powers and responsibilities. An orientation course on Code of Corporate Governance was arranged during 2009.
10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit and the terms and condition of their employment, determined by the CEO, are duly authorized by the Board of Directors.
11. The Directors' report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the CEO and CFO before 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 the corporate and financial reporting requirements of the code.
15. The Audit Committee comprises of three members, all of whom are non-executive directors (as defined under CCG).
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 as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Bank has an effective Internal Audit department. An Internal Audit Manual is approved by the Board. The Internal Audit department has conducted audit of branches and various departments of the Bank during the year.

## Statement of Compliance with Code of Corporate Governance For the year ended December 31, 2009

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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 Accountants of Pakistan, that they or any of the partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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 Board of Directors has also constituted two additional sub-committees namely Risk Management Committee and Human Resource Committee. The terms of reference of these Committees have been formulated and advised for compliance. The Risk Management Committee comprises of three members and is required to meet at least four times a year, and during the year it had held 5 meetings. Whereas, the Human Resource Committee is comprised of three members and as per its terms of reference it has met 2 times during the year against 2 required.
21. We confirm that all the material principles contained in the code have been complied with.

On behalf of the Board,

**Francis A. Rozario**  
Chairman

**Khawaja Iqbal Hassan**  
President & CEO

# Statement on Internal Controls

## For the year ended December 31, 2009

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### Internal Control System

Management acknowledges its responsibility for establishing and maintaining a system of internal control directly related to and designed to provide reasonable assurance to achieve the following objectives:

- Efficiency and effectiveness of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

The bank is continuously adding to its internal control systems by enhancing the quality of processes, staff and IT infrastructure and will continue to do so to strengthen internal controls as it grows its business volumes and activities.

During the year, the management has broadly evaluated the internal control system in the light of internal control guidelines issued by the State Bank of Pakistan, and is pleased to make the following disclosures on the components of the internal control system.

### Control Environment

1. The Bank has written and implemented policies and procedures for most of the areas of the Bank's business, which have been approved by the Board of Directors.
2. The Bank has adopted a mission/vision statement and corporate strategy, duly approved by the Board.
3. A clear organizational structure exists which supports clear lines of communication.
4. The management has defined roles and responsibilities of key management personnel.
5. The Audit Committee, which comprises of non-executive directors, has written terms of reference and reports to the Board. It reviews the approach adopted by the company's internal audit department and the scope of, and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material control weaknesses that have been identified and discusses the actions to be taken in areas of concern with the executive management.
6. An effective internal audit system exists which is responsible for evaluation of internal control system on continuous basis and reports directly to the Audit Committee.
7. The Bank has adopted a statement of ethics and business practices that is signed by all employees. Furthermore this statement is annually signed by all Directors.
8. Management has set up an effective compliance function to ensure ongoing monitoring of the Bank's adherence with all laws and regulations.
9. The Bank has also developed a 'Regulatory Matrix' that allows mapping applicable regulations with specific controls. The underlying controls are periodically tested by means of a continuous process of self assessment.

### Risk Assessment

10. The Bank is largely compliant with the risk management guidelines issued by the SBP and has given a separate statement on the same.

### Control Activities

11. In 2009 all branches of NIB migrated to a widely used and robust core banking platform leading to greater consistency in business processes and enhancing controls across the network. The Bank has also developed a Business Continuity Plan and has also successfully tested the operation of its Disaster Recovery site.

## Statement on Internal Controls For the year ended December 31, 2009

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12. The Bank has strict Know Your Customer/Anti Money Laundering policies and has developed stringent anti-fraud programs and controls. The Bank continues to use an e-KYC form to further strengthen its KYC/AML regime.

### Information and Communication

13. The Bank has a functioning Management Information System and has developed Key Performance Indicators for its businesses enabling it to monitor budget versus actual performance.

### Monitoring

14. Internal Audit periodically carries out audits for branches and Head Office Divisions to monitor compliance with the Bank's standards.
15. Management gives due consideration to the recommendations made by the internal, external auditors and regulators especially for improvements in the internal control system and takes timely action to implement such recommendations.

Based on the results of an evaluation of the internal control system and key features of the control framework enumerated above, management is of the view that the internal control system during the year was acceptable in design and has been effectively implemented throughout the year.

It is pertinent to mention that development of an internal control system is an ongoing process through which management reviews and strengthens the internal control system, which is designed to manage rather than eliminate risks. As such, it can only provide reasonable but not absolute assurance against material misstatement or loss.

### Risk Management Framework

The acceptance and management of financial risk is inherent to banking business activities. It involves the identification, measurement, monitoring and controlling of Risk.

In accordance with the Risk Management guidelines issued by the SBP, an Integrated Risk Management Group in the Bank formulates risk management Policies and Procedures in line with Bank's defined strategies and to monitor the following areas:

- a) Credit Risk Management
- b) Market and Liquidity Risk Management
- c) Operational Risk Management

### Credit Risk Management (CRM)

CRM is viewed as an ongoing activity where credit risks are regularly identified and assessed. It determines the quality of the credit portfolio and assists in balancing risk and reward. To manage credit risks appropriately, credit committees at different locations have been established.

In order to achieve earnings targets with a high degree of reliability and to avoid losses through a strong credit process, the Credit Risk Policy Manual has been developed and duly implemented. This Manual is under constant review and regular updates are made therein through the issuance of various "Credit Bulletins", thereby, not only incorporating best practices but also ensuring the establishment of a robust credit control environment.

### Market Risk Management (MRM)

Market Risk Management is a control system, which allows management to closely supervise and monitor risks caused by movements in market rates or prices such as interest rates, FX rates, equity prices, credit spreads and / or commodity prices, resulting in a potential loss to earnings and capital.

## Statement on Internal Controls For the year ended December 31, 2009

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Treasury Mid Office, under the supervision of Integrated Risk Management Group, is responsible for ensuring that market risk parameters are properly adhered to.

In order to ensure adequate controls for money market, FX and equity transactions, a comprehensive control mechanism has been outlined in the Market and Liquidity risk management policies which are frequently and updated in line with the changes in market dynamics.

### **Operational Risk Management (ORM)**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank has written and implemented its Operational Risk Policy duly approved by the Board. The Bank has also implemented tools for identification, monitoring, and management of key operational risks and has also implemented a template for collecting Operational loss data on a periodic basis.

**Khawaja Iqbal Hassan**

President & CEO

Date: 26 February 2010

Karachi



## Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

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We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of NIB Bank Limited to comply with listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

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

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

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19, 2009 requires the Company 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 procedures 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 of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2009.

Date: 26 February 2010  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Auditors' Report to the Members

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We have audited the annexed unconsolidated balance sheet of **NIB Bank Limited** ("the Bank") as at 31 December 2009 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 24 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 accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes mentioned in note 6 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement, and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting

## Auditors' Report to the Members

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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 2009 and its true balance of profit, its cash flows and changes in equity for the year then ended; and

- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended 31 December 2008 were audited by another firm of chartered accountants whose report dated 7 March 2009, expressed a modified opinion thereon. The opinion on the financial statements for the year ended 31 December 2008 included an emphasis of matter paragraph regarding presence of significant inherent uncertainty in the assumptions underlying the value in use calculations of cash-generating units (CGUs) to which goodwill has been allocated for impairment testing as at 1 October 2008.

Date: 26 February 2010  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Amir Jamil Abbasi

**NIB Bank Limited**  
**Unconsolidated Balance Sheet**  
**As at December 31, 2009**

	Note	2009	2008
		(Rupees '000')	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	8,834,275	9,355,104
Balances with other banks	8	3,683,783	793,843
Lendings to financial institutions	9	5,681,887	12,459,621
Investments	10	62,432,977	35,176,823
Advances	11	84,021,406	80,344,193
Operating fixed assets	12	3,114,632	3,702,426
Intangible assets	13	26,943,271	26,664,438
Deferred tax assets	14	6,474,384	6,533,228
Other assets	15	6,932,348	3,879,439
		208,118,963	178,909,115
<b>LIABILITIES</b>			
Bills payable	16	1,574,207	1,432,084
Borrowings	17	62,523,365	23,651,366
Deposits and other accounts	18	93,919,805	104,586,167
Sub-ordinated loans	19	3,997,600	3,999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	20	4,575,741	5,541,790
		166,590,718	139,210,607
<b>NET ASSETS</b>		<u>41,528,245</u>	<u>39,698,508</u>
<b>REPRESENTED BY:</b>			
Share capital	21	40,437,271	28,437,271
Share deposit money		-	12,000,000
Reserves		8,464,894	8,326,684
Accumulated loss		(7,258,893)	(7,757,283)
		41,643,272	41,006,672
Deficit on revaluation of assets - net	22	(115,027)	(1,308,164)
		<u>41,528,245</u>	<u>39,698,508</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director

**NIB Bank Limited**  
**Unconsolidated Profit and Loss Account**  
**For the year ended December 31, 2009**

	Note	2009	2008
		(Rupees '000')	
Mark-up / Return / Interest earned	24	18,272,363	15,201,691
Mark-up / Return / Interest expensed	25	12,872,357	10,799,816
Net Mark-up / Interest Income		5,400,006	4,401,875
Provision against non-performing loans and advances	11.5	524,505	8,833,641
Provision for diminution in the value of investments		603,426	809,387
Bad debts written off directly		67,398	14,372
		1,195,329	9,657,400
Net Mark-up / Interest income after provisions		4,204,677	(5,255,525)
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		729,953	678,970
Dividend income		260,103	1,047,259
Income from dealing in foreign currencies		72,162	436,330
Gain on sale of securities	26	598,800	194,310
Unrealized gain on revaluation of investments classified as held-for-trading		-	-
Other income	27	20,815	65,007
Total Non Mark-up / Interest income		1,681,833	2,421,876
		5,886,510	(2,833,649)
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	28	5,345,307	6,433,122
Other provisions / write offs		6,229	322,211
Other charges	29	(122,097)	325,271
Workers welfare fund		13,000	-
Impairment of goodwill		-	1,040,000
Impairment of other intangible assets		-	43,637
Total Non Mark-up / Interest expense		5,242,439	8,164,241
Extraordinary / Unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		644,071	(10,997,890)
Taxation - Current	30	99,771	-
- Prior years		-	-
- Deferred	30	(146,748)	(3,523,211)
		(46,977)	(3,523,211)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>691,048</b>	<b>(7,474,679)</b>
Accumulated loss brought forward		(7,757,283)	(282,604)
Transfer to statutory reserve		(138,210)	-
Right shares issue cost (net of tax)		(54,448)	-
ACCUMULATED LOSS CARRIED FORWARD		(7,258,893)	(7,757,283)
Basic / diluted Earnings / (Loss) per share (Rupees)	31	0.17	(2.63)

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Amir Zahidi**  
 Director

**NIB Bank Limited**  
**Unconsolidated Statement of Comprehensive Income**  
**For the year ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
Profit / (Loss) after taxation for the year	691,048	(7,474,679)
<b>Other comprehensive income</b>	-	-
Total comprehensive income for the year	<u>691,048</u>	<u>(7,474,679)</u>

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "Surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director

**NIB Bank Limited**  
**Unconsolidated Cash Flow Statement**  
**For the year ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	644,071	(10,997,890)
Dividend Income	(260,103)	(1,047,259)
	<u>383,968</u>	<u>(12,045,149)</u>
<b>Adjustments for non-cash items</b>		
Depreciation	465,298	498,418
Amortization	308,062	298,075
Workers welfare fund	13,000	-
Gain on sale of securities	(598,800)	(194,310)
Gain on sale of property and equipment	(1,716)	(34,983)
Provision against non-performing loans and advances	524,505	8,833,641
Bad debts written off directly	67,398	14,372
Fixed assets written off	1,312	75,228
Impairment of intangible assets	-	43,637
Impairment of goodwill	-	1,040,000
Provision for diminution in the value of investments	603,426	809,387
Other provisions / write offs	6,229	322,211
	<u>1,388,714</u>	<u>11,705,676</u>
	1,772,682	(339,473)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	6,777,734	(7,706,508)
Held-for-trading securities	-	59,675
Advances	(4,269,115)	(7,246,265)
Other assets (excluding advance taxation)	(2,346,427)	(616,303)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	142,123	(678,127)
Borrowings	38,871,999	6,981,954
Deposits and other accounts	(10,666,362)	(12,085,052)
Other liabilities (excluding current taxation)	(978,974)	875,621
	<u>29,303,660</u>	<u>(20,754,478)</u>
Income tax paid	(796,592)	(547,691)
<b>Net cash from / (used in) operating activities</b>	<u>28,507,068</u>	<u>(21,302,169)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in available-for-sale securities	(26,264,742)	7,023,095
Net Investments in held-to-maturity securities	(21,061)	(3,956,986)
Net Investments in associates	223,751	(45,000)
Net Investments in subsidiaries	200,000	-
Dividend received	273,531	1,041,516
Payments for capital work in progress	(275,439)	(308,027)
Acquisition of property and equipment	(125,290)	(216,807)
Acquisition of intangible assets	(68,649)	(2,628)
Sale proceeds of property and equipment disposed off	5,383	203,861
<b>Net cash (used in) / from investing activities</b>	<u>(26,052,516)</u>	<u>3,739,024</u>

**NIB Bank Limited**  
**Unconsolidated Cash Flow Statement**  
**For the year ended December 31, 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>(Rupees '000')</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (payments) / receipts against sub-ordinated loans		(1,600)	3,999,200
Share deposit money		–	12,000,000
Dividend paid		(75)	(450)
Payment of lease obligations		–	(7,176)
Right shares issue cost		(83,766)	–
<b>Net cash (used in) / from financing activities</b>		<u>(85,441)</u>	<u>15,991,574</u>
Net increase / (decrease) in cash and cash equivalents		2,369,111	(1,571,571)
Cash and cash equivalents at the beginning of the year		10,148,947	11,720,518
Cash and cash equivalents at the end of the year	32	<u>12,518,058</u>	<u>10,148,947</u>

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director



**NIB Bank Limited**  
**Unconsolidated Statement of Changes in Equity**  
**For the year ended December 31, 2009**

	Reserves						
	Capital			Revenue			
	Share capital	Share deposit money	Share premium	Statutory reserve	General reserve	Accumulated (loss)	Total
	(Rupees '000')						
<b>Balance as at December 31, 2007</b>	22,017,968	-	639,744	74,594	5,472	(282,604)	22,455,174
<b>Total comprehensive income for the year</b>							
Loss after taxation for the year	-	-	-	-	-	(7,474,679)	(7,474,679)
<b>Transaction with owners, recorded directly in equity</b>							
Shares issued under scheme of amalgamation	6,419,303	-	7,606,874	-	-	-	14,026,177
Share deposit money	-	12,000,000	-	-	-	-	12,000,000
	6,419,303	12,000,000	7,606,874	-	-	-	26,026,177
<b>Balance as at December 31, 2008</b>	<b>28,437,271</b>	<b>12,000,000</b>	<b>8,246,618</b>	<b>74,594</b>	<b>5,472</b>	<b>(7,757,283)</b>	<b>41,006,672</b>
<b>Total comprehensive income for the year</b>							
Profit after taxation for the year	-	-	-	-	-	691,048	691,048
<b>Transaction with owners, recorded directly in equity</b>							
Issue of share capital	12,000,000	(12,000,000)	-	-	-	-	-
Right shares issue cost (net of tax)	-	-	-	-	-	(54,448)	(54,448)
	12,000,000	(12,000,000)	-	-	-	(54,448)	(54,448)
Transfer to statutory reserve	-	-	-	138,210	-	(138,210)	-
<b>Balance as at December 31, 2009</b>	<b>40,437,271</b>	<b>-</b>	<b>8,246,618</b>	<b>212,804</b>	<b>5,472</b>	<b>(7,258,893)</b>	<b>41,643,272</b>

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Amir Zahidi**  
 Director

# NIB Bank Limited

## Notes to the Unconsolidated Financial Statements

### For the year ended December 31, 2009

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#### 1. STATUS AND NATURE OF BUSINESS

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at Muhammadi House, I.I.Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 223 branches (2008: 244 branches). The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

NIB Bank Limited is a subsidiary of Bugis Investments (Mauritius) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

#### 2. BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank, its subsidiaries and associates are presented separately.

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

These unconsolidated financial statements have been presented in Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees.

#### 3. STATEMENT OF COMPLIANCE

**3.1** These unconsolidated 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) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by the SBP shall prevail.

**3.2** The 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 a notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

#### **3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010:

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in the profit and loss account and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Bank's financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary,

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit and loss account. The application of the standard is not likely to have an effect on the Bank's financial statements.

- IFRIC 15 – Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Bank's operations.
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Bank does not distribute non cash assets to its shareholders, this interpretation has no impact on the Bank's financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are unlikely to have an impact on the Bank's financial statements.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment may result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment is not likely to have any impact on the Bank's financial statements.
- Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on the Bank's financial statements.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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#### 4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain investments and commitments in respect of forward foreign exchange contracts that are stated at revalued amounts / fair values, staff retirement benefits (Gratuity) which are stated at present value and certain financial assets that are stated net of provisions.

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

##### 5.1 Investments

###### **Held-to-maturity securities**

As described in note 6.5, held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. The classification of these securities involves management judgment as to whether the financial assets are held-to-maturity investments.

###### **Held-for-trading securities**

Investments classified as held-for-trading are those which the Bank has acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

###### **Available-for-sale securities**

Investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

##### 5.2 Impairment

###### **Valuation and impairment of available-for-sale equity investments**

The Bank determines that available-for-sale equity investments is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

###### **Impairment of investments in associates and subsidiaries**

The Bank considers that a significant or prolonged decline in the recoverable value of investments in associates and subsidiaries below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account. Subsequent reversal of impairment loss, upto the cost of investments in associates and subsidiaries, are credited to the profit and loss account.

###### **Impairment of non financial assets (excluding deferred tax and goodwill)**

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognized

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets (excluding goodwill) is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

### **Impairment of Goodwill**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs. 24,221 million (2008: Rs. 24,221 million).

### **5.3 Provision against non-performing advances**

Apart from the provision determined on the basis of time based criteria given in the Prudential Regulations of the SBP, management also applies subjective criteria of classification and accordingly the classification of an advance may be downgraded on the basis of evaluation of credit worthiness of the borrower, its cash flows, operations in its account and adequacy of security in order to ensure accurate measurement of the provision. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirements set out in the Prudential Regulations.

### **5.4 Retirement Benefits**

The key actuarial assumptions concerning the valuation of the defined benefit plan and the sources of estimation are disclosed in note 34.2 to these unconsolidated financial statements.

### **5.5 Useful life of property and equipment**

Estimates of useful life of property and equipment are based on management's best estimate.

### **5.6 Income Taxes**

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

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unconsolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2008 (except for the change mentioned in note 6.1 below) and are enumerated as follows:

### **6.1 Changes in accounting policies**

Effective January 01, 2009 the Bank has changed its accounting policies in the following areas:

#### **Determination and Presentation of Operating Segments**

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. An operating segment's operating results are reviewed regularly by the CEO. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There is no change in the operating segments being reported as a result of the adoption of IFRS 8 - Operating Segments, other than changes in certain disclosures.

#### **Presentation of Financial Statements**

The Bank applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 01, 2009. As a result, all owner changes in equity are presented in the statement of changes in equity,

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### 6.2 Business combinations

Business combinations are accounted for using the purchase method. Under this method, identified assets acquired, liabilities and contingent liabilities assumed are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

### 6.3 Revenue recognition

Mark-up / return on performing loans / advances and investments is recognized on time proportionate basis. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity using the effective interest rate method so as to produce a constant rate of return. Interest or mark-up recovered on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP as amended from time to time.

The financing method is used in accounting for income on finance leases and hire purchase transactions. Under this method, the unearned income, i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is deferred and then amortized to income over the term of the lease on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

Rental income from assets given on operating lease is recognized on time proportionate basis over the lease period.

Gains / losses on termination of lease contracts, documentation charges and other lease income are recognized as income when they are realized.

Fee, commission and brokerage income is recognized at the time of performance of the service.

Dividend income is recorded when the right to receive the dividend is established.

### 6.4 Grants and assistance

In terms of Kreditanstalt fur Wiederaufbau (KfW) loan re-lent by the Government of Pakistan (GoP), the Bank was required to bear interest at 11 percent per annum and pay interest to the GoP at 10 percent per annum and transfer the remaining 1 percent per annum margin to a counter part fund to be used by the bank for financing feasibility surveys, market surveys and similar investigations destined for the preparation of projects.

### 6.5 Investments

Investments of the Bank, other than investments in subsidiaries and associates are classified as held-to-maturity, held-for-trading and available-for-sale.

#### Held-to-maturity

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

#### Held-for-trading

These securities are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in the portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### **Available-for-sale**

These are securities which do not fall under the classification of held-for-trading or held-to-maturity securities.

### **Initial measurement**

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held-for-trading, includes transaction costs associated with the investments.

### **Subsequent measurement**

#### **Held-to-maturity**

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

#### **Held-for-trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

#### **Available-for-sale**

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the balance sheet below equity and taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Provision for diminution in the value of securities (except term finance certificates) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the aging criteria prescribed by the Prudential Regulations issued by the SBP.

### **Investment in Subsidiaries and Associates**

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognized as it arises provided the increased carrying value does not exceed that it would have been had no impairment loss been recognized.

Gain or loss on sale of investments in subsidiaries and associates is included in the profit and loss account for the year.

## **6.6 Lendings to / borrowings from financial institutions**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under agreement to resale (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. In the case of the continuous funding system, transactions are shown under advances. The difference between sale and repurchase price is treated as mark-up / return expensed whereas difference between purchase and resale price is treated as mark-up / return earned.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### 6.7 Advances

Advances including continuous funding system and net investment in finance lease are stated net of provisions. Provisions comprise of:

#### Specific provision

The Bank maintains specific provisions for doubtful debts at a level that can reasonably be anticipated, keeping in view the requirements of the Prudential Regulations issued by the SBP.

#### General provision

The Bank maintains general provision at the rate of 5% against the unsecured consumer portfolio and at the rate of 1.5% against the secured consumer portfolio in accordance with the Prudential Regulations issued by the SBP.

Advances are written off when there is no realistic prospect of recovery.

#### Net investment in finance lease

Leases include hire purchase where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset and are classified as finance leases. Net investment in finance lease is recognized at an amount equal to the aggregate of minimum lease payments and any guaranteed residual value less unearned finance income, if any.

### 6.8 Operating fixed assets

#### Owned

Property and equipment except freehold and leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold and leasehold land is stated at cost.

Depreciation is charged to income applying the straight line method over the estimated useful lives of the assets while taking into account any residual value, at the rates given in Note 12.2 to these unconsolidated financial statements. In respect of additions and deletions to assets during the year, depreciation is charged from the month of acquisition while depreciation on disposals during the year is charged upto the month of disposal.

Normal repairs and maintenance are charged to profit and loss account for the year as and when incurred. Major repairs and improvements are capitalized and assets so replaced are retired.

Gains and losses on disposal of property and equipment if any, are taken to the profit and loss account for the year.

#### Assets held under finance lease

Leasehold land is stated at cost.

Assets held under finance lease are stated at cost less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

Finance charges are allocated to accounting periods so as to provide a constant periodic rate of return on the outstanding liability.

#### Assets held under operating lease

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any.

Repairs and maintenance are charged to the profit and loss account as and when incurred.

#### Capital work in progress

These assets are stated at cost.



# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### 6.9 Goodwill and other intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's interest in the identifiable assets, liabilities and contingent liabilities of the acquired entity. Goodwill is initially recognized as an asset at cost and is subsequently measured less any accumulated impairment loss. Impairment losses are charged to the profit and loss account.

Goodwill is allocated to each cash-generating unit (CGU) expected to benefit from the synergies of the acquisition. CGUs to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the carrying value of the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable for the sale of the CGU in an arm's length transaction between knowledgeable, willing parties. Value in use is the present value of expected future cash flows from the CGU. Impairment losses on goodwill are not reversed.

#### Other intangible assets

Other intangible assets are recognized separately from goodwill when they are specifically identifiable or arise from contractual or other legal rights, and their fair value can be measured reliably.

Intangible assets include the value of the brand, core deposit relationships, and core overdraft / working capital loan relationships and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to the profit and loss account on a straight line basis over the assets' useful lives which are determined using methods that best reflect the pattern of economic benefits. The estimated useful lives are as follows:

Brand	5 years
Core deposit relationships	11 years
Core overdraft / working capital loan relationships	11 years

Computer software is stated at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is carried out on the straight line method at the rates given in Note 13 to these unconsolidated financial statements.

### 6.10 Sub-ordinated loans

Sub-ordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

### 6.11 Staff retirement benefits

#### Defined contribution plan

The Bank operates a defined contribution provident fund for all its permanent employees. Equal monthly contributions are made to the fund by both the Bank and the employees at the rate of 10% of basic salary.

#### Defined benefit plan

The Bank operates an unfunded gratuity scheme covering all eligible employees who have attained the minimum qualifying period of five years. Eligible employees are those employees who have joined the service of the Bank on or before March 31, 2006. Provision is made in accordance with actuarial recommendations. Actuarial valuation is carried out periodically using the "Projected Unit Credit Method".

Actuarial gain / loss is recognized using the 10% corridor approach. Corridor is defined as the greater of 10% of the present value of defined benefit obligations and plan assets.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### 6.12 Taxation

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

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation in accordance with the prevailing laws for taxation on income earned after taking into consideration tax credits and rebates available and any adjustments to tax payable in respect of previous years.

#### Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences as at the balance sheet date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the balance sheet date, that are expected to be applicable at the time of their reversal.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank recognizes a deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Bank recognizes a deferred tax asset for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

### 6.13 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed quarterly and are adjusted to reflect the current best estimate.

### 6.14 Offsetting

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

### 6.15 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared.

### 6.16 Distributions of bonus shares and other appropriations to reserves

The Bank recognizes all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares made after the balance sheet date, in the period in which such appropriations are approved.

### 6.17 Foreign currencies

Transactions in foreign currencies are translated to Rupees at the foreign exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. 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 approximating those prevailing at the balance sheet date.

Assets against which the constituents have exercised their option to transfer exchange risk to the Bank and liabilities for which the Bank has exercised its option to transfer exchange risk to the Government, are translated at the rates of exchange guaranteed by the Bank and the Government, respectively.

Assets, liabilities, commitments and contingent liabilities in respect of Bangladesh are translated at foreign exchange rates approximating those prevailing prior to August 15, 1971.

Exchange gains and losses are included in income currently except net unrealized exchange gain on long-term monetary items which, as a matter of prudence, is carried forward as unrealized gain in view of the uncertainty associated with its realization.

### **6.18 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

### **6.19 Financial instruments**

All financial assets and liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the balance sheet include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### **6.20 Derivative financial instruments**

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into and subsequently these instruments are marked to market and changes in fair values are taken to the profit and loss account. Fair values are obtained from quoted market prices in active markets.

### **6.21 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.

#### **6.21.1 Business Segments**

##### **Corporate and Investment Banking**

It represents seasonal finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to corporate and commercial customers, along with advisory, underwriting and IPO related activities.

##### **Consumer and Small Enterprises**

It represents banking services offered to individual and small businesses through a retail branch banking and alternate distribution network. These banking services include lending, deposits and distribution of insurance products along with other financial products and services tailored for such customers.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### **Small & Medium Enterprises and Commercial**

It represents all funded and non-funded credit facilities, deposit products & transaction services offered by the Bank to Small & Medium Enterprises and Commercial businesses operating in the manufacturing, trade, wholesale and service sectors.

### **Treasury**

Treasury manages the asset and liability mix of the Bank, and provides customers with products that meet their demands for management of liquidity, cash flow, interest rate fluctuations and foreign exchange risk.

### **6.21.2 Geographical segments**

The Bank operates in Pakistan only.

### **6.22 Assets acquired in satisfaction of claims**

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

### **6.23 Deposits**

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportionate basis.

### **6.24 Earnings per share**

The Bank presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>(Rupees '000')</b>	
In hand			
Local currency	7.1	2,560,507	2,601,720
Foreign currencies		418,759	722,550
With State Bank of Pakistan in			
Local currency current accounts	7.2	3,638,671	3,587,674
Foreign currency current account	7.3	400,148	407,357
Foreign currency deposit accounts	7.4	1,233,705	1,324,101
With National Bank of Pakistan in local currency current accounts		<u>582,485</u>	<u>711,702</u>
		<u>8,834,275</u>	<u>9,355,104</u>

**7.1** This includes National Prize Bonds of Rs. 7.010 million (2008: Rs. 4.255 million).

**7.2** The current account is maintained under the requirements of Section 22 of the Banking Companies Ordinance, 1962.

**7.3** This includes special cash reserve at nil return required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme.

**7.4** This represents special cash reserve of 15% required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme at nil return (2008: 0.90%) per annum.

### **8. BALANCES WITH OTHER BANKS**

In Pakistan in current accounts		373,354	126,217
Outside Pakistan in current accounts	8.1	<u>3,314,393</u>	<u>671,590</u>
		3,687,747	797,807
Provision against doubtful balances		<u>(3,964)</u>	<u>(3,964)</u>
		<u>3,683,783</u>	<u>793,843</u>

**8.1** This includes amount held in automated investment plans. This balance is current by nature and on increase in the balance over a specified amount, interest is received from the correspondent banks at various rates.

### **9. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	9.2	725,000	1,285,000
Repurchase agreement lendings (Reverse Repo)	9.3 & 9.4	<u>4,956,887</u>	<u>11,174,621</u>
		<u>5,681,887</u>	<u>12,459,621</u>

#### **9.1 Particulars of Lendings**

In local currency		5,681,887	12,459,621
In foreign currencies		<u>-</u>	<u>-</u>
		<u>5,681,887</u>	<u>12,459,621</u>

**9.2** These represent unsecured call money lendings to financial institutions carrying mark-up rates ranging from 12.10% to 13.50% (2008: 15.00% to 20.00%) per annum and having maturities upto one week.

**9.3** These represent repurchase agreement lendings to financial institutions carrying mark-up rates ranging from 11.97% to 12.40% (2008: 10.00% to 17.00%) per annum and having maturities upto three months.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

### 9.4 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees '000')					
Market Treasury Bills	2,154,092	1,961,844	4,115,936	4,227,975	1,959,286	6,187,261
Pakistan Investment Bonds	138,120	702,831	840,951	4,565,703	421,657	4,987,360
	<u>2,292,212</u>	<u>2,664,675</u>	<u>4,956,887</u>	<u>8,793,678</u>	<u>2,380,943</u>	<u>11,174,621</u>

9.4.1 The market value of securities held as collateral against lendings to financial institutions as at December 31, 2009 amounted to Rs. 4,964.548 million (2008: Rs. 11,046.366 million).

## 10. INVESTMENTS

### 10.1 (a) Investments by type:

	Note	2009			2008		
		Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
		(Rupees '000')					
<b>Held-for-trading securities</b>		-	-	-	-	-	-
<b>Available-for-sale securities</b>							
Market Treasury Bills	10.2	4,691,032	37,923,905	42,614,937	10,801,441	7,994,951	18,796,392
Pakistan Investment Bonds	10.2	2,698,926	832,385	3,531,311	2,116,647	930,330	3,046,977
GoP Ijara Sukuk Bonds		-	-	-	500,000	-	500,000
Defense Savings Certificates	10.3	5,771	2,730	8,501	5,771	2,650	8,421
Sukuk Bonds	10.4	205,304	-	205,304	-	-	-
Cumulative Preference shares	10.5	50,000	-	50,000	100,000	-	100,000
Ordinary shares / Certificates in listed companies / modarabas	10.6	1,015,819	66,572	1,082,391	2,316,207	25,975	2,342,182
Ordinary shares of unlisted companies	10.7	66,217	-	66,217	64,280	-	64,280
Term Finance Certificates	10.8 & 10.9	4,424,427	-	4,424,427	852,900	-	852,900
Units / Certificates of mutual funds	10.10	430,765	-	430,765	310,067	-	310,067
		<u>13,588,261</u>	<u>38,825,592</u>	<u>52,413,853</u>	<u>17,067,313</u>	<u>8,953,906</u>	<u>26,021,219</u>
<b>Held-to-maturity securities</b>							
Pakistan Investment Bonds	10.2	4,652,033	-	4,652,033	4,616,193	-	4,616,193
Term Finance Certificates	10.8 & 10.9	123,323	-	123,323	138,102	-	138,102
		<u>4,775,356</u>	<u>-</u>	<u>4,775,356</u>	<u>4,754,295</u>	<u>-</u>	<u>4,754,295</u>
<b>Associates</b>	10.11 & 10.16	1,899,518	-	1,899,518	2,097,647	-	2,097,647
<b>Subsidiaries</b>	10.12 & 10.16	4,584,741	-	4,584,741	4,790,704	-	4,790,704
<b>Investments at cost</b>		<u>24,847,876</u>	<u>38,825,592</u>	<u>63,673,468</u>	<u>28,709,959</u>	<u>8,953,906</u>	<u>37,663,865</u>
Provision for diminution in value of investments	10.13 & 10.14	(1,033,551)	(20,418)	(1,053,969)	(901,791)	-	(901,791)
<b>Investments - net of provisions</b>		<u>23,814,325</u>	<u>38,805,174</u>	<u>62,619,499</u>	<u>27,808,168</u>	<u>8,953,906</u>	<u>36,762,074</u>
Deficit on revaluation of available-for-sale securities	22	(126,674)	(59,848)	(186,522)	(1,374,659)	(210,592)	(1,585,251)
<b>Net Investments</b>		<u>23,687,651</u>	<u>38,745,326</u>	<u>62,432,977</u>	<u>26,433,509</u>	<u>8,743,314</u>	<u>35,176,823</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000')	
<b>10.1(b) Investments by segments:</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	10.2	42,614,937	18,796,392
Pakistan Investment Bonds	10.2	8,183,344	7,663,170
GoP Ijara Sukuk Bonds		–	500,000
Defense Savings Certificates	10.3	8,501	8,421
<b>Sukuk Bonds</b>	10.4	205,304	–
<b>Cumulative Preference Shares</b>	10.5	50,000	100,000
<b>Fully Paid-up Ordinary Shares &amp; Modaraba Certificates</b>			
Listed	10.6	1,082,391	2,342,182
Unlisted	10.7	66,217	64,280
<b>Term Finance Certificates</b>			
Listed	10.8	1,553,191	784,305
Unlisted	10.9	2,994,559	206,697
<b>Units / Certificates of Mutual Funds</b>	10.10	430,765	310,067
<b>Associates</b>	10.11 & 10.16	1,899,518	2,097,647
<b>Subsidiaries</b>	10.12 & 10.16	4,584,741	4,790,704
<b>Total investments at cost</b>		63,673,468	37,663,865
Provision for diminution in value of investments	10.13 & 10.14	(1,053,969)	(901,791)
<b>Investments - net of provisions</b>		62,619,499	36,762,074
Deficit on revaluation of available-for-sale securities	22	(186,522)	(1,585,251)
<b>Net Investments</b>		<u>62,432,977</u>	<u>35,176,823</u>

**10.2** Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yields ranging from 11.76% to 12.47% (2008: 9.95% to 14.02%) with remaining maturities of 3 to 12 months and Pakistan Investment Bonds carry mark-up ranging from 8.84% to 12.88% (2008: 5.94% to 11.12%) per annum on semi-annual basis with remaining maturities of 1 to 14 years. Certain government securities are required to be maintained with the SBP to meet statutory liquidity requirements calculated on the basis of demand and time liabilities.

**10.2.1** This includes Rs. 100 million PIB outstanding as at December 31, 2009, which was pledged against borrowing from a Company in 2004. As the lender had failed to return the pledged PIB upon the maturity of the contract period, this amount is appearing as investment in PIBs with a corresponding amount appearing in Borrowings. No interest is accrued either as income from the PIB or as expense on this borrowing since the filing of the dispute between the Bank and the Company.

**10.3** In 2007, the SBP issued Defense Savings Certificates (DSCs) of Rs. 5.771 million against lost Foreign Exchange Bearer Certificates (FEBCs) to the Bank with 2 years restriction on disposal. These certificates carry interest rate of 6.5% per annum. Further, the Bank has purchased DSCs of Rs. 2.730 million carrying interest rate of 12.15% which are pledged as security.

**10.4** These Sukuk Bonds of Liberty Power Tech Limited carry mark-up rate of 3 months KIBOR + 300 bps and have an original maturity of 12 years.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 10.5 Particulars of investment in Cumulative Preference Shares

Investee	Note	Number of Shares held		Total nominal value	
		2009	2008	2009	2008
				(Rupees '000')	
Pak Electron Limited (PEL) - Convertible Loaded	10.5.1	625,000	625,000	6,250	6,250
Pak Electron Limited (PEL) - Non-Convertible	10.5.1	1,875,000	1,875,000	18,750	18,750
Fazal Cloth Mills Limited	10.5.2	2,500,000	2,500,000	25,000	25,000
Jamshoro Joint Venture Company Limited	10.5.3	–	5,000,000	–	50,000
				50,000	100,000

**10.5.1** These preference shares carry fixed dividend of 9.5% on cumulative basis payable when and if declared by the Board of Directors. For redemption, the call option can be exercised by PEL up to 100% after three years of the issue date at 1% premium on the issue price.

**10.5.2** These preference shares are redeemable upon the exercise of a call option by the company after completion of three years from the issue date.

**10.5.3** These shares were redeemed during the year.

### 10.6 Particulars of investment in Listed Shares / Certificates

	Number of Shares / Certificates held		Cost of Investment	
	2009	2008	2009	2008
			(Rupees '000')	
<b>Available-for-sale</b>				
Abbott Laboratories (Pakistan) Limited	869,228	906,152	184,146	191,968
Allied Bank Limited	–	514,800	–	55,834
Askari Bank Limited	250,000	–	6,674	–
Attock Cement Pakistan Limited	–	139,200	–	13,878
Awan Textile Mills Limited	39,000	39,000	390	390
Bank AL Habib Limited	179,287	140,618	8,350	8,350
BankIslami Pakistan Limited	–	88,646	–	1,436
Berger Paints Pakistan Limited	441,310	447,160	65,093	65,956
Brother Textile Mills Limited	87	87	2	2
Lafarge Pakistan Cement Limited (formerly Pakistan Cement Limited)	10,000	10,000	2,819	2,819
Century Paper & Board Mills Limited	9	9	–	–
Clariant Pakistan Limited	–	282,398	–	49,691
Samba Bank Limited (formerly Crescent Commercial Bank Limited)	–	576,402	–	12,076
Crescent Steel & Allied Products Limited	–	454,236	–	40,220
Dewan Farooq Motors Limited	944,225	1,018,225	30,184	32,549
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	–	57,500	–	10,063
Fauji Cement Company Limited	–	788,500	–	11,749
Fauji Fertilizer Company Limited	–	372,964	–	44,289
Fauji Fertilizer Bin Qasim Limited	–	547,500	–	20,557
First Equity Modaraba	–	1,380,000	–	14,067
First Fidelity Lease Modaraba	1	1	–	–



## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Number of Shares / Certificates held		Cost of Investment	
	2009	2008	2009	2008
			(Rupees '000')	
First Habib Bank Modaraba	–	60,507	–	520
First National Bank Modaraba	699,751	1,475,000	5,948	12,538
First Tawakal Modaraba	446,774	446,774	–	–
The General Tyre and Rubber Company of Pakistan Limited	–	841,000	–	46,155
Glamour Textile Mills Limited	200,000	200,000	5,016	5,016
GlaxoSmithKline Pakistan Limited	655,735	666,545	126,164	128,243
Habib Insurance Company Limited	*1,526,179	*1,356,604	89,140	89,140
Habib Sugar Mills Limited	–	*515,702	–	22,134
Hira Textile Mills Limited	–	1,406,624	–	11,183
The Hub Power Company Limited	6,415,477	11,384,000	204,696	389,216
Ibrahim Fibres Limited	300	300	5	5
ICI Pakistan Limited	–	766,400	–	150,713
IGI Investment Bank Limited	–	908,684	–	13,403
LTV Capital Modaraba	*171,473	*171,473	5,573	5,573
KSB Pumps Company Limited	124,894	136,772	22,549	27,163
Karam Ceramics Limited	425,656	426,156	8,300	8,310
Kohinoor Energy Limited	–	100,000	–	3,180
Millat Tractors Limited	450,855	699,000	142,442	151,264
Mohib Textile Mills Limited	5	5	–	–
mybank Limited	–	1,146,750	–	27,465
Nagina Cotton Mills Limited	–	187,100	–	2,900
National Bank of Pakistan	–	92,100	–	18,130
New Jubilee Life Insurance Company Limited	–	175,000	–	12,346
Nimir Industries Chemicals Limited	–	4,938,759	–	19,755
Oil and Gas Development Company Limited	–	1,000,000	–	119,653
Pakistan Oilfields Limited	227,600	237,600	75,759	79,088
Pakistan Petroleum Limited	–	550,000	–	127,224
Pakistan Refinery Limited	–	3	–	–
Pakistan Tobacco Company Limited	–	159,700	–	24,833
Premier Insurance Limited	–	*135,332	–	5,453
Prosperity Weaving Mills Limited	–	127,820	–	1,598
Rupali Polyester Limited	–	134,500	–	5,447
Saudi Pak Leasing Company Limited	–	130,835	–	1,852
Security Investment Bank Limited	10	10	–	–
Shakarganj Mills Limited	–	546,740	–	17,564
Sitara Chemical Industries Limited	112,120	112,120	37,672	37,672
Standard Chartered Leasing Limited	–	333,500	–	3,669
Standard Chartered Modaraba	–	146,423	–	1,838
Suraj Cotton Mills Limited	–	1,551,000	–	74,293
Tariq Glass Industries Limited	2,021,904	2,021,904	61,466	61,466
Tawakal Garment Limited	150,000	150,000	–	–
Tri-Pack Films Limited	–	210,000	–	42,693
Trust Modaraba	100	100	1	1
Trust Securities & Brokerage Limited	–	120,000	–	1,020
United Bank Limited	–	125,000	–	16,570
Yousuf Weaving Mills Limited	100	100	2	2
Total Listed Shares / Certificates			<u>1,082,391</u>	<u>2,342,182</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Note	Percentage of holding	Number of Shares held		Cost of Investment	
			2009	2008	2009	2008
<b>10.7 Particulars of Unlisted Shares</b>						
Pakistan Export Finance Guarantee Agency Limited Chief Executive: Syed Mohammad Zaeem	10.7.1	5.26%	568,044	568,044	5,680	5,680
Central Depository Company of Pakistan Limited Chief Executive: Mr. Muhammad Hanif Jakhura	10.7.2	7.50%	2,500,000	2,500,000	5,000	5,000
Crescent Capital Management (Private) Limited Chief Executive: Mr. Mahmood Ahmed	10.7.3	4.88%	100,000	100,000	1,000	1,000
Equity Participation Fund Limited Chief Executive: Mr. S. Shabahat Hussain	10.7.4	0.97%	**5,087	**15,000	509	1,500
Pakistan Textile City (Private) Limited Chief Executive: Mr. Zaheer A. Hussain	10.7.5	4.55%	5,000,000	5,000,000	50,000	50,000
National Investment Trust Limited Chief Executive: Mr. Tariq Iqbal Khan	10.7.6	8.33%	**79,200	**52,800	100	100
SunBiz (Private) Limited Chief Executive: Mr. Nisar Ahmed	10.7.7	4.65%	10,000	10,000	1,000	1,000
SWIFT Chief Executive: Mr. Lazaro Campos	10.7.8	0.01%	***9	-	2,928	-
					<u>66,217</u>	<u>64,280</u>

**10.7.1** Value of investment, based on the net assets stated in the audited financial statements of investee company as at December 31, 2008 amounts to Rs. 1.171 million.

**10.7.2** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2009 amounts to Rs. 78.210 million.

**10.7.3** This investment is fully provided in these unconsolidated financial statements.

**10.7.4** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2008 amounts to Rs. 11.477 million.

**10.7.5** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2009 amounts to Rs. 51.544 million.

**10.7.6** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2009 amounts to Rs. 538.320 million.

**10.7.7** This investment is fully provided in these unconsolidated financial statements.

**10.7.8** Value of investment, based on the net assets stated in the audited financial statements of investee company as at December 31, 2008 amounts to Rs. 2.570 million.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Number of Certificates held		Amortized cost	
	2009	2008	2009	2008
<b>(Rupees '000')</b>				
<b>10.8 Particulars of investment in Listed Term Finance Certificates</b>				
<b>Investee</b>				
Allied Bank Limited	6,000	–	28,525	–
Askari Commercial Bank Limited	3,184	3,184	15,895	15,901
Azgard Nine Limited	10,000	15,000	37,649	53,050
Bank AL Habib Limited	17,247	8,500	82,439	42,432
Engro Corporation (formerly Engro Chemicals Pakistan Limited)	50,000	10,000	246,055	50,153
Escorts Investment Bank Limited	2,016	2,016	8,393	10,074
Orix Leasing Pakistan Limited	33,900	–	133,119	–
PACE Pakistan Limited	6,000	6,000	29,982	29,994
Pakistan Mobile Communications Limited	60,000	60,000	299,580	299,700
Soneri Bank Limited	6,000	6,000	29,946	29,958
Telecard Limited	74,888	74,888	164,606	206,640
Trust Investment Bank Limited	10,000	10,000	10,428	21,406
United Bank Limited	101,443	5,000	466,574	24,997
			1,553,191	784,305
			1,553,191	784,305
<b>10.9 Particulars of investment in Unlisted Term Finance Certificates</b>				
Avari Hotels Limited	30,400	30,400	152,000	152,000
New Khan Transport Company (Private) Limited	20,000	20,000	53,559	54,697
Power Holdings (Private) Limited	557,800	–	2,789,000	–
			2,994,559	206,697
			2,994,559	206,697
<b>10.10 Particulars of investment in Mutual Funds</b>				
	Number of Units / Certificates held		Cost of Investment	
	2009	2008	2009	2008
<b>(Rupees '000')</b>				
AKD Opportunity Fund	587,679	587,679	32,493	32,493
Askari Sovereign Cash Fund	971,110	–	100,000	–
First Dawood Mutual Fund	900,000	1,455,100	6,975	11,277
First Habib Income Fund	–	203,000	–	20,000
HBL Income Fund	–	576,209	–	50,000
HBL Multi Asset Fund	–	260,721	–	25,000
Lakson Money Market Fund	200,120	–	20,000	–
Pakistan Strategic Allocation Fund	8,370,000	8,370,000	76,167	76,167
JS Growth Fund (formerly UTP Growth Fund)	227,410	227,410	2,911	2,911
JS Income Fund	970,402	–	100,000	–
JS Large Capital Fund (formerly UTP Large Capital Fund)	11,385,092	11,385,092	92,219	92,219
			430,765	310,067
			430,765	310,067

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Note	Number of Shares / Units / Certificates		Cost of Investment	
		2009	2008	2009	2008
<b>10.11 Particulars of investment in Associates</b>					
NAFA Cash Fund		–	20,000,000	–	177,667
NAFA Government Securities Liquid Fund		1,500,000	–	15,000	–
NAFA Islamic Multi Asset Fund		7,500,000	7,500,000	75,000	75,000
NAFA Islamic Income Fund		7,500,000	7,500,000	75,000	75,000
NAFA Multi Asset Fund		–	7,500,000	–	65,462
NAFA Savings Plus Fund		3,000,000	–	30,000	–
NAFA Stock Fund		7,500,000	7,500,000	63,186	63,186
National Fullerton Asset Management Limited (held for sale)	10.11.1	6,749,998	6,749,998	67,500	67,500
PICIC Energy Fund		11,130,160	11,130,160	83,476	83,476
PICIC Growth Fund		15,132,858	15,132,858	510,917	510,917
PICIC Insurance Limited		10,499,993	10,499,993	345,900	345,900
PICIC Investment Fund		41,544,649	41,544,649	633,539	633,539
				<u>1,899,518</u>	<u>2,097,647</u>

**10.11.1** Subsequent to the year end, a purchase agreement has been signed between the Bank and the National Bank of Pakistan (NBP), by which the Bank is in the process of disinvesting its twenty seven percent holding in NAFA to NBP as, under the NBFC Regulations, an entity cannot have an interest in two asset management companies. The transaction is expected to be completed by March 31, 2010 subject to certain regulatory approvals.

### 10.12 Particulars of investment in Subsidiaries

PICIC Asset Management Company Limited	10.16	299,999,995	299,999,995	4,584,017	4,584,017
PICIC Exchange Company (Private) Limited Financial and Management Services (Private) Limited	10.12.1	–	20,000,000	–	205,963
		**88,850	88,850	724	724
				<u>4,584,741</u>	<u>4,790,704</u>

**10.12.1** The Company has been wound up during the year.

Unless otherwise stated, holdings in modaraba certificates and ordinary shares are of Rs. 10 each.

\* Shares / Modaraba Certificates of Face Value of Rs. 5 each

\*\* Shares / Modaraba Certificates of Face Value of Rs. 100 each

\*\*\* Shares of Face Value of Euro 2,680 each

All Term Finance Certificates are of Original Face Value of Rs. 5,000 each

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009	2008
	(Rupees '000')	
<b>10.13 Particulars of provision for diminution in value of investments</b>		
Opening balance	901,791	123,006
Charge for the year	699,960	809,387
Reversals for the year		
- Term Finance Certificates	(1,138)	-
- Associates	(38,469)	-
- Subsidiary	(56,927)	-
	603,426	809,387
Reversal due to sale	(451,248)	(30,602)
Closing balance	1,053,969	901,791

### 10.14 Particulars of Provision in respect of Type and Segment

Available-for-sale securities		
- Listed shares / Certificates / Units	497,940	361,379
- Unlisted shares	6,510	5,301
- Unlisted Term Finance Certificates	53,559	54,697
	558,009	421,377
Associates		
- Listed shares / Certificates / Units	495,236	422,763
Subsidiaries		
- Unlisted shares	724	57,651
	1,053,969	901,791

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
<b>10.15 Quality of Available-for-Sale Securities - at Market Value</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	42,594,390	Unrated	18,779,400	Unrated
Pakistan Investment Bonds	3,373,840	Unrated	2,589,721	Unrated
GoP Ijara Sukuk Bonds	-	-	500,000	Unrated
Defense Savings Certificates	8,501	Unrated	8,421	Unrated
<b>Sukuk Bonds</b>	205,304	Unrated	-	-
<b>Cumulative Preference shares</b>				
Pak Electron Limited	25,000	A/A1	25,000	A/A1
Fazal Cloth Mills Limited	25,000	*	25,000	*
Jamshoro Joint Venture Company Limited	-	-	50,000	A+/A-1
<b>Ordinary shares of Listed Companies</b>				
Abbott Laboratories (Pakistan) Limited	105,368	*	81,200	*
Allied Bank Limited	-	-	16,124	AA/A1+
Attock Cement Limited	-	-	5,245	*

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
Askari Bank Limited	6,825	AA/A1+	-	-
Bank AL Habib Limited	5,873	AA+/A1+	3,497	AA/A1+
BankIslami Pakistan Limited	-	-	643	A-/A2
Berger Paints (Pakistan) Limited	13,950	*	15,338	*
Clariant Pakistan Limited	-	-	46,118	*
Samba Bank Limited, (formerly Crescent Commercial Bank Limited)	-	-	2,847	A/A-1
Crescent Steel & Allied Products Limited	-	-	7,736	A+/A-1
Dewan Farooq Motors Limited	1,407	*	2,047	*
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	-	-	5,546	AA/A1+
Fauji Cement Company Limited	-	-	3,706	*
Fauji Fertilizer Bin Qasim Limited	-	-	7,063	*
Fauji Fertilizer Company Limited	-	-	21,904	*
First Equity Modaraba	-	-	1,628	*
First Habib Bank Modaraba	-	-	183	AA-/A-1+
IGI Investment Bank Limited	-	-	2,862	A/A1
First National Bank Modaraba	2,428	A+/A-1	4,425	A+/A-1
The General Tyres and Rubber Company of Pakistan Limited	-	-	13,961	*
GlaxoSmithKline Pakistan Limited	71,652	*	50,617	*
Habib Insurance Company Limited	24,419	A+	37,551	A+
Habib Sugar Mills Limited	-	-	15,590	*
Hira Textile Mills Limited	-	-	3,179	*
The Hub Power Company Limited	199,393	*	160,402	*
ICI Pakistan Limited	-	-	52,659	*
KSB Pumps Company Limited	9,370	*	31,592	*
Karam Ceramics Limited	3,831	*	11,817	*
Kohinoor Energy Limited	-	-	1,925	*
Millat Tractors Limited	171,235	*	93,603	*
mybank Limited	-	-	13,302	A/A1
Nagina Cotton Mills Limited	-	-	2,900	*
National Bank of Pakistan	-	-	4,634	AAA/A-1+
New Jubilee Life Insurance Company Limited	-	-	7,898	*
Nimir Industries Chemical Limited	-	-	7,260	*
Oil and Gas Development Company Limited	-	-	49,990	AAA/A-1+
Pakistan Oilfields Limited	52,523	*	24,352	*
Pakistan Petroleum Limited	-	-	55,341	*
Pakistan Tobacco Company Limited	-	-	16,976	*
Premier Insurance Limited	-	-	2,569	A
Prosperity Weaving Mills Limited	-	-	1,023	*
Rupali Polyester Limited	-	-	5,246	*
Saudi Pak Leasing Company Limited	-	-	379	BBB+/A-3
Shakarganj Mills Limited	-	-	3,964	BBB+/A2
Sitara Chemicals Industries Limited	17,941	AA-/A-1	23,702	AA-/A-1
Standard Chartered Leasing Limited	-	-	584	A+/A1

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
Standard Chartered Modaraba	-	-	997	AA+/A1+
Suraj Cotton Mills Limited	-	-	63,979	*
Tariq Glass Industries Limited	16,195	*	13,749	*
Tri-Pack Films Limited	-	-	26,174	A+/A1
Trust Securities & Brokerage Limited	-	-	1,016	*
United Bank Limited	-	-	4,614	AA+/A-1+
<b>Ordinary shares of Unlisted Companies</b>				
Central Depository Company of Pakistan Limited	5,000	*	5,000	*
Crescent Capital Management (Private) Limited	1,000	*	1,000	*
Equity Participation Fund Limited	509	*	1,500	*
National Investment Trust Limited	100	AM2	100	AM-DS
Pakistan Export Finance Guarantee Agency Limited	5,680	*	5,680	*
SunBiz (Private) Limited	1,000	*	1,000	*
Pakistan Textile City (Private) Limited	50,000	*	50,000	*
SWIFT	2,928	*	-	-
<b>Units / Certificates of Mutual Funds</b>				
AKD Opportunity Fund	25,476	*	17,513	*
Askari Sovereign Cash Fund	100,013	*	-	-
First Dawood Mutual Fund	1,521	FR 4-STAR	3,143	FR 4-STAR
First Habib Income Fund	-	-	19,697	*
HBL Income Fund	-	-	54,815	*
HBL Multi Asset Fund	-	-	17,171	*
Pakistan Strategic Allocation Fund	37,163	FR 4-STAR	19,082	FR 4-STAR
JS Growth Fund (formerly UTP Growth Fund)	1,123	FR 3-STAR	678	*
JS Income Fund	100,126	FR 5-STAR	-	-
Lakson Money Market Fund	20,278	*	-	-
JS Large Capital Fund (formerly UTP Large Capital Fund)	52,371	FR 4-STAR	26,186	FR 4-STAR
<b>Term Finance Certificates</b>				
Allied Bank Limited	29,029	AA-	-	-
Askari Commercial Bank Limited	15,277	AA-	16,028	AA-
Avari Hotels Limited	152,000	A-	152,000	A-
Azgard Nine Limited	18,665	AA-	23,585	AA-
Bank AL Habib Limited	40,070	AA	-	-
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	232,314	AA	48,121	AA
Escorts Investment Bank Limited	8,321	A+	10,384	A+
New Khan Transport Company (Private) Limited	53,559	*	54,697	*
Orix Leasing Pakistan Limited	141,730	AA+	-	-
PACE Pakistan Limited	29,100	A+	30,348	AA-
Pakistan Mobile Communications Limited	300,419	AA-	320,559	AA-
Power Holdings (Private) Limited	2,789,000	*	-	-

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
Telecard Limited	146,626	BBB	166,963	BBB
Trust Investment Bank Limited	9,584	BBB	20,140	A
United Bank Limited	424,963	AA	-	-
	<u>51,729,390</u>		<u>24,074,589</u>	

\*Rating not Available

- 10.16** As per BSD circular No. 6 of 2007 dated September 6, 2007, investments in subsidiaries and associates are required to be reported separately and should be carried at cost. However, as per IAS 36, these need to be tested for impairment, if there is indication that such impairment may exist.

Management has tested the investment in its subsidiary, PICIC Asset Management Company Limited for impairment using a value in use calculation. The value in use calculation indicates that the value of the investment in the subsidiary exceeds the cost of investment resulting in reversal of the impairment loss recognized during the year ended December 31, 2008. Accordingly the reversal has been credited to the profit and loss account. Further, management has concluded that a portion of the investment in associates is impaired. This impairment has been charged to the profit and loss account.

	Note	2009 (Rupees '000')	2008
<b>11. ADVANCES</b>			
Loans, cash credits, running finance, etc. - in Pakistan	11.1	93,847,123	90,877,027
Net investment in finance lease - in Pakistan	11.3	3,061,322	4,374,849
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		412,889	527,618
Payable outside Pakistan		2,679,423	1,542,987
Advances - Gross		<u>100,000,757</u>	<u>97,322,481</u>
Provision against non performing advances - Specific	11.4	(15,746,457)	(16,715,515)
- General		(232,894)	(262,773)
	11.5	<u>(15,979,351)</u>	<u>(16,978,288)</u>
Advances - Net of provision		<u>84,021,406</u>	<u>80,344,193</u>
<b>11.1</b> This includes a sum of Rs. 79.074 million (2008: Rs. 79.074 million) representing unrealized exchange gain, which has not been recognized as income and deferred in these unconsolidated financial statements, in accordance with the policy of the Bank, as stated in note 6.17.			
<b>11.2 Particulars of advances</b>			
<b>11.2.1</b> In local currency		97,048,697	95,066,054
In foreign currencies		2,952,060	2,256,427
		<u>100,000,757</u>	<u>97,322,481</u>
<b>11.2.2</b> Short term (for upto one year)		61,555,478	62,762,818
Long term (for over one year)		38,445,279	34,559,663
		<u>100,000,757</u>	<u>97,322,481</u>



## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 11.3 Net Investment in Finance Lease

	2009			
	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees '000')			
Lease rentals receivable	2,150,226	218,485	–	2,368,711
Residual value	860,316	131,710	–	992,026
Minimum lease payments	3,010,542	350,195	–	3,360,737
Financial charges for future periods (including income suspended)	(267,863)	(31,552)	–	(299,415)
Present value of minimum lease payments	<u>2,742,679</u>	<u>318,643</u>	<u>–</u>	<u>3,061,322</u>
	2008			
Lease rentals receivable	2,766,654	650,996	–	3,417,650
Residual value	859,233	564,172	–	1,423,405
Minimum lease payments	3,625,887	1,215,168	–	4,841,055
Financial charges for future periods (including income suspended)	(367,548)	(98,658)	–	(466,206)
Present value of minimum lease payments	<u>3,258,339</u>	<u>1,116,510</u>	<u>–</u>	<u>4,374,849</u>

Minimum lease payments receivable includes a sum of Nil (2008: Rs. 5.248 million) due from an associated undertaking.

### 11.4 Advances include Rs. 23,429.526 million (2008: Rs. 22,457.812 million) which have been placed under non-performing status as detailed below:

Note	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000')								
<b>Category of Classification</b>									
Substandard	4,197,868	–	4,197,868	855,910	–	855,910	855,910	–	855,910
Doubtful	4,123,923	–	4,123,923	1,516,249	–	1,516,249	1,516,249	–	1,516,249
Loss	15,107,735	–	15,107,735	13,374,298	–	13,374,298	13,374,298	–	13,374,298
	<u>23,429,526</u>	<u>–</u>	<u>23,429,526</u>	<u>15,746,457</u>	<u>–</u>	<u>15,746,457</u>	<u>15,746,457</u>	<u>–</u>	<u>15,746,457</u>

11.4.1 Included in the Provision Required is an amount of Rs. 1,565.496 million which represents provision in excess of the requirements of the State Bank of Pakistan.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

Category of Classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000')								
Substandard	5,751,056	-	5,751,056	1,428,052	-	1,428,052	1,428,052	-	1,428,052
Doubtful	2,151,808	-	2,151,808	1,038,757	-	1,038,757	1,038,757	-	1,038,757
Loss	14,554,948	-	14,554,948	14,248,706	-	14,248,706	14,248,706	-	14,248,706
	<u>22,457,812</u>	<u>-</u>	<u>22,457,812</u>	<u>16,715,515</u>	<u>-</u>	<u>16,715,515</u>	<u>16,715,515</u>	<u>-</u>	<u>16,715,515</u>

The State Bank of Pakistan (SBP) vide its BSD Circular No. 2 dated January 27, 2009 had allowed banks to avail the benefit of 30% of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial and residential properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirements with effect from December 31, 2008. Subsequently the SBP, vide its BSD Circular No. 10 of 2009 dated October 20, 2009 has made further amendments in the Prudential Regulations and allowed banks to avail the benefit of 40% of FSV of pledged stocks and mortgaged residential, commercial properties and benefit of 40% on industrial properties (land and buildings only) held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirements with effect from September 30, 2009. Had the benefit of the said new circulars not been availed by the Bank in the current year, the net charge for provisions would have been higher by an amount of Rs. 1,683.490 million and profit after tax would have been lower by Rs. 1,094.269 million. The increase in profit as a result of taking this benefit is not available for the distribution of cash and stock dividends to shareholders.

In addition to above mentioned FSV benefit, the Bank has also availed FSV benefit of Rs. 232.731 million in accordance with relaxation granted by the SBP to the Bank. If the additional benefit had not been taken, the provision against non performing loans and advances would have been higher by Rs. 232.731 million and profit after tax would have been lower by Rs. 151.275 million.

Against the FSV benefit of Rs. 1,916.221 million, the Bank has provided an amount of Rs. 2,832.697 million. The total value of the collateral on the basis of which the FSV benefit has been availed is over Rs. 7 billion and management is confident that the actual realization will substantially exceed the FSV benefit availed.

### 11.5 Particulars of provision against non-performing advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees '000')					
Opening balance	16,715,515	262,773	16,978,288	10,040,046	613,911	10,653,957
Charge for the year	3,754,080	59,681	3,813,761	10,782,574	115,589	10,898,163
Reversals	(3,199,696)	(89,560)	(3,289,256)	(1,945,434)	(119,088)	(2,064,522)
	554,384	(29,879)	524,505	8,837,140	(3,499)	8,833,641
Amounts written off from the opening balance	11.6 (218,742)	-	(218,742)	(261,088)	-	(261,088)
Amounts charged and written off during the year	11.6 (1,304,700)	-	(1,304,700)	(2,248,222)	-	(2,248,222)
Transfer to / (from)	-	-	-	347,639	(347,639)	-
Closing balance	<u>15,746,457</u>	<u>232,894</u>	<u>15,979,351</u>	<u>16,715,515</u>	<u>262,773</u>	<u>16,978,288</u>

#### 11.5.1 Particulars of provision against non-performing advances - currency wise

In local currency	15,746,457	232,894	15,979,351	16,715,515	262,773	16,978,288
In foreign currencies	-	-	-	-	-	-
	<u>15,746,457</u>	<u>232,894</u>	<u>15,979,351</u>	<u>16,715,515</u>	<u>262,773</u>	<u>16,978,288</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
<b>11.6 Particulars of write offs:</b>			
		(Rupees '000')	
<b>11.6.1</b> Against provisions		1,523,442	2,509,310
Directly charged to profit and loss account		67,398	1,800
		<u>1,590,840</u>	<u>2,511,110</u>
<b>11.6.2</b> Write offs of Rs. 500,000 and above	11.7	208,576	210,077
Write offs of below Rs. 500,000	11.7	1,382,264	2,301,033
		<u>1,590,840</u>	<u>2,511,110</u>
<b>11.7 Details of loan write offs of Rs. 500,000 and above</b>			
In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any financial relief of five hundred thousand rupees or above allowed to person(s) during the year ended December 31, 2009 is given in Annexure 1. However, this write off does not affect the Bank's right to recover these debts from any customers.			
<b>11.8 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at the beginning of the year		1,010,321	586,755
Additions during the year		88,422	97,854
Loans granted during the year		565,909	607,255
Repayments during the year		(317,181)	(281,543)
Balance at the end of the year		<u>1,347,471</u>	<u>1,010,321</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at the beginning of the year		305,248	7,545
Loans granted during the year		300,000	807,686
Repayments during the year		(605,248)	(509,983)
Balance at the end of the year		<u>—</u>	<u>305,248</u>
<b>12. OPERATING FIXED ASSETS</b>			
Capital work in progress	12.1	164,380	760,882
Property and equipment	12.2	2,950,252	2,941,544
		<u>3,114,632</u>	<u>3,702,426</u>
<b>12.1 Capital work in progress</b>			
Civil works		62,236	55,143
Equipment and electrical work		16,313	44,595
Advances to suppliers and contractors		1,141	63,205
Advance for computer software		83,926	595,523
Others		764	2,416
		<u>164,380</u>	<u>760,882</u>
<b>12.1.1</b> During the year, an amount of Rs. 1.030 million (2008: Rs. 27.285 million) was written off as this represented long outstanding and unidentifiable items.			

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 12.2 Property and Equipment

Particulars	Note	C O S T		DEPRECIATION			Rate of Depreciation % per annum			
		As at January 01, 2009	Additions / (Deletions)	(Write - offs)	As at December 31, 2009	Accumulated as at January 01, 2009		For the year / (on deletion)	Accumulated as at December 31, 2009	Net Book value as at December 31, 2009
		(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')		(Rupees '000')	(Rupees '000')	(Rupees '000')
Freehold land		336,617	-	-	336,617	-	-	336,617	-	
Leasehold land	12.2.3	1,064,456	-	-	1,064,456	-	15,634	1,048,822	-	
Buildings on freehold land		583,397	933	-	584,330	28,583	161,563	422,767	5%	
Buildings on leasehold land		158,073	-	-	158,073	7,648	25,551	132,522	5%	
Furniture and fixtures		224,652	24,937 (7,921)	-	241,668	22,552 (6,378)	98,852	142,816	10%	
Electrical, office and computer equipment		1,072,279	330,249 (44,178)	-	1,358,350	234,108 (44,111)	841,732	516,618	20% & 33%	
Vehicles		35,372	7,197 (5,174)	(1,923)	35,472	6,866 (3,124)	18,190	17,282	20%	
Leasehold Improvements		842,529	114,639 (17)	-	957,151	165,541 (10)	624,343	332,808	20%	
		<b>4,317,375</b>	<b>477,955 (57,290)</b>	<b>(1,923)</b>	<b>4,736,117</b>	<b>465,298 (53,623)</b>	<b>1,375,831</b>	<b>1,785,865</b>	<b>2,950,252</b>	

**12.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 605.509 million (2008: Rs. 296.303 million).

**12.2.2** Carrying amount of temporarily idle property is Rs. 526.184 million (2008: Rs. 526.842 million).

**12.2.3** This includes a plot of land costing Rs. 9.240 million in Block-6, KDA Scheme-5, Clifton, Karachi (the "Plot"), possession of which was taken by the Bank (formerly PICIC) in April 1983 pursuant to an allotment order by City District Government Karachi ("CDGK") (formerly Karachi Development Authority). All the legal dues in respect of the Plot including Non-utilization Fees have been paid. In 2000, CDGK cancelled the allotment unilaterally based on certain building and construction restrictions. The Bank filed a Civil Suit against CDGK before the High Court of Sindh in respect of the said unilateral cancellation of the allotment. Meanwhile, also in 2000, a dispute arose with KPT in respect of construction of a boundary wall on the Plot by KPT as KPT claimed that the land had been reverted to KPT. The said claim by KPT was also challenged by way of Civil Suit before the High Court of Sindh. The High Court of Sindh initially issued restraining orders against CDGK and KPT in the respective suits in respect of cancellation of the allotment of the Plot. Subsequently, both the suits were decided in favor of the Bank. In the suit filed against CDGK, the High Court of Sindh held that the action of cancellation of the allotment by CDGK was improper and void, whereas, in the suit against KPT, the High Court of Sindh held that since allotment in favor of the Bank was valid therefore, KPT had no standing to claim that the land had been reverted back to KPT. Both the decisions of the High Court of Sindh are currently being challenged in two separate High Court Appeals by CDGK and KPT and the same are still pending. Furthermore, in November 2008, KPT filed a Civil Suit seeking a declaration from the High Court of Sindh to the effect that the Plot had been validly reverted to KPT. At present, the Bank is actively defending the case.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

## Property and Equipment

	C O S T				DEPRECIATION			Rate of
Particulars	As at January 01, 2008	Additions / (Deletions)	(Write - offs)	As at December 31, 2008	Accumulated as at January 01, 2008	For the year / (on deletion)	Accumulated as at December 31, 2008	% per annum
	(Rupees '000')							
Freehold land	336,617	-	-	336,617	-	-	-	-
Leasehold land	1,064,456	-	-	1,064,456	15,634	-	15,634	-
Buildings on freehold land	583,397	-	-	583,397	104,335	28,645	132,980	5%
Buildings on leasehold land	158,073	-	-	158,073	10,266	7,637	17,903	5%
Furniture and fixtures	232,733	38,385 (517)	(45,949)	224,652	94,686	21,215 (355)	82,678	10%
Electrical, office and computer equipment	1,092,953	199,826 (164)	(220,336)	1,072,279	591,961	271,219 (81)	651,735	20% & 33%
Vehicles	321,244	8,921 (272,834)	(21,959)	35,372	128,819	4,865 (106,547)	16,089	20%
Leasehold Improvements	983,694	68,144 (614)	(208,695)	842,529	490,677	164,837 (366)	458,812	20%
	<b>4,773,167</b>	<b>315,276 (274,129)</b>	<b>(496,939)</b>	<b>4,317,375</b>	<b>1,436,378</b>	<b>498,418 (107,351)</b>	<b>1,375,831</b>	<b>2,941,544</b>
Assets held under finance lease:								
Vehicles	14,806	(6,197)	(8,609)	-	9,266	(4,097)	(5,169)	-
	<b>4,787,973</b>	<b>315,276 (280,326)</b>	<b>(505,548)</b>	<b>4,317,375</b>	<b>1,445,644</b>	<b>498,418 (111,448)</b>	<b>1,375,831</b>	<b>2,941,544</b>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 12.2.4 Detail of disposal of property and equipment during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
..... (Rupees '000') .....						
Computer Equipment	9,462	9,462	–	489	Bid	Mr. Muhammad Rafiq, House # 8/184 Liaquatabad, Karachi
Computer Equipment	16,657	16,657	–	117	Bid	M/s Iqbal and Brothers, Near Pankha Hotel Kabari Bazar Shershah, Karachi
Vehicles	1,478	729	749	885	Bid	Mr. Huzaifa Arif, House # E-11, Block 8, Gulshan-e-Iqbal, Karachi
Vehicles	879	615	264	542	Employee service rules	Mr. Mohammad Safdar Qureshi - Ex Employee
Vehicles	632	263	369	560	Employee service rules	Ms. Sonia Shehryar - Ex Employee
<b>Sub Total</b>	<b>29,108</b>	<b>27,726</b>	<b>1,382</b>	<b>2,593</b>		
Items individually having cost less than Rs. 1 million or net book value not exceeding Rs. 0.25 million						
Computer Equipment	17,398	17,339	59	812		
Vehicles	2,185	1,517	668	1,327		
Furniture and fixtures	7,920	6,378	1,542	471		
Leasehold improvements	18	10	8	4		
Office equipment	661	653	8	176		
<b>Sub Total</b>	<b>28,182</b>	<b>25,897</b>	<b>2,285</b>	<b>2,790</b>		
<b>2009</b>	<b>57,290</b>	<b>53,623</b>	<b>3,667</b>	<b>5,383</b>		
<b>2008</b>	<b>280,326</b>	<b>111,448</b>	<b>168,878</b>	<b>203,861</b>		

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

## 13. INTANGIBLE ASSETS

Particulars	2009					Rate of Amortization % per annum
	As at January 01, 2009	C O S T As at December 31, 2009 (Write-offs)	Accumulated as at January 01, 2009	AMORTIZATION / IMPAIRMENT Amortization for the year (Write-offs)	Accumulated as at December 31, 2009	
	(Rupees '000')					
Goodwill	25,261,472	-	1,040,000	-	1,040,000	24,221,472
Core Deposit Relationships	2,489,453	-	339,471	226,313	565,784	1,923,669
Core Overdraft / Working Capital Loan Relationships	124,149	-	60,566	6,694	67,260	56,889
Brand	204,116	-	61,236	40,824	102,060	102,056
Computer Software	180,743	586,895	94,222	34,231	128,453	639,185
	<b>28,259,933</b>	<b>586,895</b>	<b>1,595,495</b>	<b>308,062</b>	<b>1,903,557</b>	<b>26,943,271</b>

13.1 Included in cost of computer software are fully amortized items still in use having cost of Rs. 57.252 million (2008: Rs. 55.331 million).

Particulars	2008					Rate of Amortization % per annum
	As at January 01, 2008	C O S T As at December 31, 2008 (Write-offs)	Accumulated as at January 01, 2008	AMORTIZATION / IMPAIRMENT Amortization for the year (Write-offs)	Accumulated as at December 31, 2008	
	(Rupees '000')					
Goodwill	25,261,472	-	-	1,040,000	1,040,000	24,221,472
Core Deposit Relationships	2,489,453	-	113,157	226,314	339,471	2,149,982
Core Overdraft / Working Capital Loan Relationships	124,149	-	5,643	11,286	43,637	63,583
Brand	204,116	-	20,412	40,824	61,236	142,880
Computer Software	173,855	7,073	74,626	19,651	94,222	86,521
	<b>28,255,045</b>	<b>7,073</b>	<b>213,838</b>	<b>298,075</b>	<b>1,083,637</b>	<b>26,664,438</b>

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

### 13.2 Allocation of goodwill to CGUs:

Goodwill acquired through acquisition with indefinite life has been allocated to two CGUs, which are also reportable segments, for impairment testing as follows:

	(Rupees '000')
Consumer and Small Enterprises Group (CSEG)	15,662,113
Small & Medium Enterprises and Commercial (SMEC)	9,599,359
	<u>25,261,472</u>

#### 13.2.1 Key assumptions used in value in use calculations:

The recoverable amounts of the CGUs have been determined based on value in use calculations, using cash flow projections based on financial budgets by the management and covering a ten year period as management believes it will require a period of ten years to capture the niche market. Cash flows beyond that ten year period have been extrapolated using declining growth rates.

The following post-tax rates are used by the Bank:

	2009	2008
Discount rates		
- Projections	18.13%	19.52%
- Terminal value	17.20%	17.52%
Terminal growth rate	10.50%	10.35%

The calculation of value in use for both CGUs is most sensitive to the following assumptions:

- Discount rate
- Terminal growth rate used to extrapolate the cash flows beyond the budgeted period
- Weighted average yield/cost of funds
- Loan loss rates
- Local inflation rates
- Non-interest income
- Market share

#### Discount rate

The discount rate reflects the management's estimate of cost of equity applicable to the CGUs. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).

#### Terminal growth rate used to extrapolate the cash flows beyond the budgeted period

Assumptions are based on published industry research.

#### Weighted average yield / cost of funds

These are based on the actual yield / cost of funds of the recent past.

#### Loan loss rates

These rates are based on the historical loss rate trend of the Bank in the respective units before merger and the results of the performance of the two CGUs since the launch of these businesses post merger.

#### Non-interest income

Non-interest income is projected in line with management's estimate of growth in advances and deposits.

#### Market Share

Management assesses that the relative positions of each of the two CGUs to niche (untapped) market will grow over the budgeted period.



# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

### 13.2.2 Annual test for impairment

#### Goodwill

During the year, the Bank assessed the recoverable amount of the goodwill associated with both CGUs i.e. CSEG and SMEC, by determining the value in use over a ten year period as these businesses are long term by nature. The recoverable values of both CGUs exceed their carrying values and hence no impairment is deemed to exist. The management believes that any reasonable possible changes to the key assumptions on which the calculation of recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

#### Intangibles

In the current year, the Bank also assessed the recoverable amount of core overdraft / working capital loan relationships, core deposit relationships and brand and determined that no impairment loss exists.

	Note	2009	2008
		(Rupees '000')	
<b>14. DEFERRED TAX ASSETS</b>			
<b>Deferred debits arising due to:</b>			
Provision against loans and advances		6,393,933	6,606,954
Provision against other receivables		281,314	288,338
Provision against balances with other banks		1,387	1,387
Deficit on revaluation of securities		71,495	277,087
Gratuity		14,762	15,482
Unused tax losses		2,135,530	472,939
Excess of tax base of government securities / investments over accounting base		412,465	461,239
		9,310,886	8,123,426
<b>Deferred credits arising due to:</b>			
Excess of accounting base of leased asset over tax base		(218,511)	(328,460)
Accelerated accounting depreciation on owned assets		(712,584)	(650,583)
Intangibles including goodwill		(1,344,257)	-
Fair valuation of subsidiaries and associates		(521,539)	(571,544)
Unrealized exchange gains	14.1	(6,007)	(6,007)
Unrealized exchange losses	14.2	(33,604)	(33,604)
		(2,836,502)	(1,590,198)
		6,474,384	6,533,228

**14.1** In 1987 and 1989, the Bank (formerly PICIC) exercised its option to avail the exchange risk coverage offered by the Government of Pakistan, Ministry of Finance and Economic Affairs (Economic Affairs Division), through Office Memo 1(16)/50/DM/86 dated July 8, 1987 and 1(12)/50/DM/89 dated June 1, 1989 respectively and, in turn the Bank (formerly PICIC) offered the risk coverage to its Borrowers.

**14.2** The unrealized exchange losses of the Bank (formerly PICIC) as on April 21, 1987, the effective date of exercise of both the options arising on related borrowings as reduced by gains arising on related advances was claimed as loss for tax purposes.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 14.3 Movement in temporary differences during the year:

	2009			Balance as at December 31, 2009
	Balance as at January 01, 2009	Recognized in profit and loss account	Recognized in equity	
	(Rupees '000')			
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	6,606,954	(213,021)	–	6,393,933
Provision against other receivables	288,338	(7,024)	–	281,314
Provision against balances with other banks	1,387	–	–	1,387
Deficit on revaluation of securities	277,087	–	(205,592)	71,495
Gratuity	15,482	(720)	–	14,762
Unused tax losses	472,939	1,662,591	–	2,135,530
Excess of tax base of government securities / investments over accounting base	461,239	(48,774)	–	412,465
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(328,460)	109,949	–	(218,511)
Accelerated accounting depreciation on owned assets	(650,583)	(62,001)	–	(712,584)
Intangibles including goodwill	–	(1,344,257)	–	(1,344,257)
Fair valuation of subsidiaries and associates	(571,544)	50,005	–	(521,539)
Unrealized exchange gains	(6,007)	–	–	(6,007)
Unrealized exchange losses	(33,604)	–	–	(33,604)
	<u>6,533,228</u>	<u>146,748</u>	<u>(205,592)</u>	<u>6,474,384</u>
	2008			
	Balance as at January 01, 2008	Recognized in profit and loss account	Recognized in equity	Balance as at December 31, 2008
	(Rupees '000')			
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	3,789,974	2,816,980	–	6,606,954
Provision against other receivables	7,202	281,136	–	288,338
Provision against balances with other banks	1,387	–	–	1,387
Provision for leave encashment	26,604	(26,604)	–	–
Deficit on revaluation of securities	2,043	–	275,044	277,087
Gratuity	15,577	(95)	–	15,482
Unused tax losses	373,545	99,394	–	472,939
Excess of tax base of government securities / investments over accounting base	383,437	77,802	–	461,239
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(552,639)	224,179	–	(328,460)
Accelerated accounting depreciation on owned assets	(638,801)	(11,782)	–	(650,583)
Fair valuation of subsidiaries and associates	(633,745)	62,201	–	(571,544)
Unrealized exchange gains	(8,358)	–	2,351	(6,007)
Unrealized exchange losses	(33,604)	–	–	(33,604)
	<u>2,732,622</u>	<u>3,523,211</u>	<u>277,395</u>	<u>6,533,228</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 14.4 Deferred tax asset

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as Substandard under the Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Management has carried out an exercise at year end and concluded that they would be able to get deduction of provisions for the year ended December 31, 2009 that are in excess of 1% of total advances and has recognized a deferred tax asset of Rs. 792 million on such provisions.

During the year, the Federal Board of Revenue (FBR) through Circular No. 8 of 2009 dated September 25, 2009 has made the above change effective for financial year ended on December 31, 2008. The management, based on its tax consultants' opinion is of the view that the change to the Seventh Schedule, relating to the 1% capping as described above, is applicable from the financial year ended December 31, 2009 and the FBR circular in this respect is not part of the Seventh Schedule.

Further, the above amendments do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2007 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F. No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) in the Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to the said tax year for doubtful debts which were neither claimed nor allowed as tax deductible in any year shall be allowed as a deduction in the tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on the advice of its tax consultants has treated the FBR commitment as effective. Accordingly, the deferred tax asset relating to provision for advances and off balance sheet items, recognized through the financial year ended December 31, 2008 amounting to Rs. 5,406 million has been carried forward.

	Note	2009 (Rupees '000')	2008
<b>15. OTHER ASSETS</b>			
Income / mark-up accrued			
Local currency	15.1 & 15.6	4,295,703	3,048,219
Foreign currencies		31,732	23,137
Advances, deposits, advance rent and other prepayments	15.2	547,284	701,410
Advance taxation - net		975,505	249,366
Non-banking assets acquired in satisfaction of claims	15.3	611,663	24,546
Unrealized gain on forward foreign exchange contracts - net		36,380	-
Dividend receivable		-	13,428
Receivable against sale of investments		299,210	-
Receivable from Financial Management Services (Private) Limited		-	13,225
Stationery and stamps on hand		1,626	6,261
Advance for purchase of term finance certificates		755,832	463,000
Assets in respect of Bangladesh	15.4	425,409	425,409
Insurance claim		105,242	122,756
Others		95,769	37,917
		<u>8,181,355</u>	<u>5,128,674</u>
Liabilities in respect of Bangladesh	15.4	(342,416)	(342,416)
Rupee Borrowings from Government of Pakistan in respect of Bangladesh		(82,993)	(82,993)
Provisions held against other assets	15.5	(823,598)	(823,826)
Other assets - net of provisions		<u>6,932,348</u>	<u>3,879,439</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

**15.1** This includes Rs. Nil (2008: Rs. 0.025 million) in respect of associated undertakings.

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
<b>15.2 Advances, deposits, advance rent and other prepayments</b>		
Advances	45,893	194,046
Deposits	40,807	36,409
Advance rent	340,439	396,445
Prepayments	120,145	74,510
	<u>547,284</u>	<u>701,410</u>

**15.3** Represents cost of land, plant and machinery acquired by the Bank against advances and held for resale. The market value of the subject assets as of December 31, 2009 was Rs. 667.355 million (2008: Rs. 41.101 million).

**15.4** All the assets and liabilities as of November 30, 1971 clearly identifiable as being in or in respect of the areas now under Bangladesh and referred to above were segregated as of that date and in such segregation, for purposes of conversion of foreign currency amounts, generally speaking, the parity rates ruling prior to August 15, 1971 were used, and all income accrued or due in 1971 but not received in that year and interest accrued but not due on borrowings in 1971 was eliminated. Subsequently, consequent to the assuming by Bangladesh of certain foreign currency loan obligations as of July 1, 1974, including amounts previously identified by the Bank (formerly PICIC) as its foreign currency liabilities in respect of Bangladesh, such amounts were eliminated from the books of the Bank (formerly PICIC) by reducing an equivalent sum from its related foreign assets in that area.

Arising from advices received from the lenders and as a result of diversion of shipments and of the meeting of certain contingent liabilities, there have been certain modifications to the foreign currency advances relating to Bangladesh. Furthermore, the difference between the actual amount of rupees required to remit maturities of foreign currency borrowings in respect of Bangladesh and the figures at which they appeared in the books and the interest paid to foreign lenders has been treated as increasing the rupee assets in that area.

The Government of Pakistan, while initially agreeing to provide the rupee finance required for discharging current maturities of foreign currency borrowings and interest related to Bangladesh, did not accept any responsibility for PICIC's assets in that area. However, following an agreement reached between PICIC and the Government of Pakistan during 1976, the Government has agreed that it would continue to provide the funds for servicing PICIC's foreign currency liabilities relating to Bangladesh and has further agreed that an amount equivalent to the rupee assets in Bangladesh financed from PICIC's own funds not exceeding Rs. 82 million would be deemed to have been allocated out of the rupee loans by the Government and that such allocated amount together with the rupee finance being provided by the Government including any interest thereon would not be recovered from PICIC until such time as PICIC recovers the related assets from Bangladesh and only to the extent of such recovery.

Accordingly, such allocated amounts, together with the rupee finance being provided by the Government for discharging the current maturities of foreign currency borrowings (including the interest and charges thereon and any exchange difference between the final rupee payment and the amount at which the liability, commitment or contingent liability as appearing in the books relating to Bangladesh) have been treated as liabilities in respect of Bangladesh. Further, in view of the aforesaid agreement no interest is being accrued on the allocated amount of rupee loans or in respect of the rupee finance provided by the Government related to PICIC's assets in Bangladesh nor is it considered necessary to provide for any loss that may arise in respect of PICIC's assets in Bangladesh.

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
<b>15.5 Particulars of provision against other assets</b>		
Opening balance	823,826	718,520
Charge for the year	19,841	322,211
Reversals	-	(117,642)
Write offs	(20,069)	(99,263)
Closing balance	<u>823,598</u>	<u>823,826</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

**15.6** This includes a sum of Rs. 34.099 million (2008: Rs. 34.099 million) representing unrealized exchange gain, which has not been recognized as income and deferred in the financial statements, in accordance with the policy of the Bank, as stated in note 6.17.

	Note	2009	2008
		(Rupees '000')	
<b>16. BILLS PAYABLE</b>			
In Pakistan		1,499,314	1,383,095
Outside Pakistan		74,893	48,989
		1,574,207	1,432,084
<b>17. BORROWINGS</b>			
In Pakistan		62,481,033	23,409,701
Outside Pakistan		42,332	241,665
		62,523,365	23,651,366
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		62,481,033	23,409,701
In foreign currencies		42,332	241,665
		62,523,365	23,651,366
<b>17.2 Details of borrowings - secured / unsecured</b>			
<b>Secured</b>			
Borrowings from SBP under			
Export Refinance Scheme	17.3	11,933,100	9,216,351
Long term finance for export oriented projects	17.4	2,361,941	2,454,233
Repurchase agreement borrowings	17.5 & 17.5.1	41,323,706	11,376,831
<b>Unsecured</b>			
Call borrowings	17.6	6,700,000	200,000
Overdrawn nostro accounts		42,332	241,665
Foreign borrowings payable in local currency	17.7	162,286	162,286
		62,523,365	23,651,366

**17.3** Borrowings from SBP under Export Refinance Scheme are subject to mark-up ranging from 6.50% to 7.00% (2008: 6.50%) per annum maturing within six months.

**17.4** Borrowings from SBP under Long Term Finance for Export Oriented Projects are subject to mark-up ranging from 4.90% to 6.50% (2008: 4.00% to 5.00%) per annum maturing within seven years.

**17.5** These borrowings are subject to mark-up at rates ranging from 11.60% to 12.41% (2008: 10.00% to 14.90%) per annum maturing within two months. Government securities have been given as collateral against these borrowings.

**17.5.1** This includes Rs. 100 million outstanding as at December 31, 2009, which was borrowed from a Company in 2004 against pledge of a PIB. As the lender had failed to return the pledged PIB upon the maturity of the contract period, this amount is appearing as a pending transaction with a corresponding amount appearing as investment in PIBs. No interest is accrued either as expense on this borrowing or as income from the PIB since the filing of the dispute between the Bank and the Company.

**17.6** These borrowings are subject to mark-up at rates ranging from 11.40% to 12.90% (2008: 13.50%) per annum maturing within four months.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

**17.7** The Government of Pakistan (GoP) has claimed an amount of Rs. 162.286 million in respect of liabilities against German credit representing principal amount of loan and Rs. 45.444 million as interest thereon till June 30, 2006. The principal amount has been accounted for and shown as payable to the GoP whereas interest has been accounted for in Other Liabilities (note 20). However, the Bank is contending that any amount of principal and interest is payable to the GoP only when recovered from the related Sub-borrowers, who have availed the German credit. This also includes unrealized exchange loss of Rs. 96.011 million (2008: Rs. 96.011 million) which has been netted off against unrealized exchange gain (note 20) as it is payable when recovered from sub-borrowers, who have availed the related German credit.

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
<b>18. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	35,912,235	56,032,439
Savings deposits	27,598,044	22,942,597
Current accounts - Non remunerative	23,578,156	19,769,327
Margin accounts	993,430	1,067,940
<b>Financial institutions</b>		
Remunerative deposits	5,616,126	4,718,614
Non-remunerative deposits	221,814	55,250
	<u>93,919,805</u>	<u>104,586,167</u>
<b>18.1 Particulars of deposits</b>		
In local currency	85,978,909	95,521,460
In foreign currencies	7,940,896	9,064,707
	<u>93,919,805</u>	<u>104,586,167</u>
<b>19. SUB-ORDINATED LOANS</b>		
<b>Term Finance Certificates - Quoted, Unsecured</b>	<u>3,997,600</u>	<u>3,999,200</u>
<b>Mark-up</b>	Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))	
<b>Subordination</b>	The TFCs are sub-ordinated to all other indebtedness of the Bank including deposits	
<b>Issue Date</b>	March 5, 2008	
<b>Issue Amount</b>	Rs. 4,000 million	
<b>Rating</b>	A+ (A plus)	
<b>Tenor</b>	8 years from the Issue Date	
<b>Redemption</b>	Ten equal semi-annual installments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual installments of 16.63% of the Issue Amount from the sixty-sixth month onwards	
<b>Maturity</b>	March 5, 2016	
<b>Call Option</b>	The Bank can also exercise a Call Option or a Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date	

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000')	
<b>20. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in:			
Local currency		1,890,142	1,883,473
Foreign currencies		11,266	38,294
Unearned income on inland bills		4,886	13,122
Accrued expenses		414,776	1,056,883
Insurance premium payable		68,155	103,461
Advance from lessees		154,752	65,329
Unclaimed dividend		45,189	45,264
Borrowing from Government of Pakistan		2,095	2,095
Branch adjustment account		310,036	72,317
Unrealized exchange loss - net		-	474,009
Security and other deposits		31,441	34,699
Payable to IBRD - Managed Fund		68,220	68,220
Payable against purchase of investments		7,574	-
Payable to Workers Welfare Fund		13,000	-
Payable to defined benefit plan	34.5	73,731	57,057
Security deposits against lease		992,026	1,415,541
Locker claims payable		-	21,000
Others		488,452	191,026
		4,575,741	5,541,790

## 21. SHARE CAPITAL

### 21.1 Authorized

2009	2008		2009	2008
(Number of Shares)			(Rupees '000')	
5,000,000,000	5,000,000,000	Ordinary shares of Rs. 10 each	50,000,000	50,000,000

### 21.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10 each

3,278,902,659	2,078,902,659	Fully paid in cash	32,789,027	20,789,027
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
4,043,727,076	2,843,727,076		40,437,271	28,437,271

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

**21.2.1** The holding company Bugis Investments (Mauritius) Pte. Limited holds 2,995,744,425 (2008: 1,795,911,770) ordinary shares.

	<b>2009</b>	<b>2008</b>
	<b>(Number of Shares)</b>	

**21.2.2 Reconciliation of number of ordinary shares of Rs. 10 each**

At the beginning of the year	2,843,727,076	2,201,796,759
Issued during the year for cash	1,200,000,000	641,930,317
At the end of the year	4,043,727,076	2,843,727,076

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	

**22. DEFICIT ON REVALUATION OF ASSETS - Net  
Deficit on revaluation of available-for-sale securities**

Market Treasury Bills	(20,547)	(16,992)
Pakistan Investment Bonds	(157,471)	(457,256)
Term Finance Certificates	(33,770)	(10,075)
Mutual Funds	417	(151,782)
Investment in Shares of Listed Companies	24,849	(949,146)
	(186,522)	(1,585,251)
Related deferred tax asset	71,495	277,087
	(115,027)	(1,308,164)

**23. CONTINGENCIES AND COMMITMENTS**

**23.1 Direct credit substitutes**

**Contingent liability in respect of guarantees given favoring:**

Government	222,841	52,367
Others	75,000	88,464
	297,841	140,831

**23.2 Transaction-related contingent liabilities / commitments**

**Guarantees given in favor of:**

Government	4,842,809	3,869,098
Others	873,666	929,175
	5,716,475	4,798,273

**23.3 Trade-related contingent liabilities**

Letters of credit	6,353,446	7,643,035
Acceptances	1,459,864	4,233,176
	7,813,310	11,876,211

**23.4 Other contingencies**

Claims against the Bank not acknowledged as debts	469,156	382,275
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**23.5 Commitments in respect of forward lending**

Commitments to extend credit	294,696	-
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## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.

	2009	2008
	(Rupees '000')	
<b>23.6 Commitments in respect of forward exchange contracts</b>		
Purchase	54,098,436	40,016,604
Sale	54,609,998	35,625,891
	108,708,434	75,642,495
<b>23.7 Commitments for the acquisition of operating fixed assets</b>	205,275	304,742

**23.8** The returns of income of NIB Bank Limited and other merged entities have been filed up to the tax year 2008 relevant to the financial year ended December 31, 2007. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC) and from tax years 2004 through 2007 for Ex-PICIC Commercial Bank Limited (Ex-PCBL). These disallowances may result in additional tax aggregating to Rs. 1,104 million respectively, which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law.

The management of the Bank intends to file an appeal against the Income Tax Appellate Tribunal Order in respect of Ex-PCBL for tax years 2004 through 2007. The appeals filed in respect of Ex-PICIC are pending before the Commissioner Income Tax (Appeals). Management is confident that the eventual outcome of the cases will be in favor of the Bank.

	2009	2008
	(Rupees '000')	
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	12,679,321	11,403,400
On investments in:		
Available-for-sale securities	3,868,916	2,023,023
Held-to-maturity securities	462,514	465,778
On deposits with financial institutions	21,277	33,252
On securities purchased under resale agreements	1,066,747	991,914
On call money lending	173,588	284,324
	<u>18,272,363</u>	<u>15,201,691</u>
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits and other accounts	8,859,600	8,694,680
Securities sold under repurchase agreements	2,282,740	1,003,527
Other short term borrowings	1,051,022	432,176
Long term borrowings	652,687	609,521
Others	26,308	59,912
	<u>12,872,357</u>	<u>10,799,816</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000')	
<b>26. GAIN ON SALE OF SECURITIES</b>			
Market Treasury Bills		158,553	18,602
Pakistan Investment Bonds		3,460	3,094
Term Finance Certificates		46,244	–
Ordinary Shares of Listed Companies		283,661	172,181
Units of Mutual Funds		58,282	433
Others		48,600	–
		<u>598,800</u>	<u>194,310</u>
<b>27. OTHER INCOME</b>			
Gain on disposal of property and equipment		1,716	34,983
Service charges		15,837	28,301
Rent		3,262	1,723
		<u>20,815</u>	<u>65,007</u>
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		2,367,736	3,388,786
Charge for defined benefit plan	34.4	17,901	12,822
Contribution to defined contribution plan		116,633	104,498
Non-executive directors' fees, allowances and other expenses		6,558	2,029
Brokerage and commission		22,627	30,777
Rent, taxes, insurance, electricity, etc.		920,336	853,891
Legal and professional charges		98,596	118,357
Communication		281,747	276,668
Repairs and maintenance		227,789	154,503
Stationery and printing		114,879	189,986
Advertisement and publicity		73,441	83,716
Fees and subscriptions		74,125	62,983
Auditor's remuneration	28.1	8,140	10,335
Depreciation	12.2	465,298	498,418
Amortization	13	308,062	298,075
Donations	28.2	54	–
Traveling, conveyance and vehicles running		43,585	55,575
Security services		122,841	130,324
Fixed assets written off		1,312	75,228
Others		73,647	86,151
		<u>5,345,307</u>	<u>6,433,122</u>
<b>28.1 Auditors' remuneration</b>			
Audit fee including fee for branch audit		4,300	4,288
Audit fee of consolidated financial statements		750	712
Review fee		1,100	500
Special certifications and sundry advisory services		1,375	3,845
Out-of-pocket expenses		615	990
		<u>8,140</u>	<u>10,335</u>
<b>28.2</b> This was paid to The Citizens Foundation in which none of the Directors or their spouses have any interest.			

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009	2008
	(Rupees '000')	
<b>29. OTHER CHARGES</b>		
Penalties imposed by the State Bank of Pakistan	1,335	59,674
Others	(123,432)	265,597
	<u>(122,097)</u>	<u>325,271</u>
<b>30. TAXATION</b>		
For the year		
Current	99,771	-
Prior years	-	-
Deferred	(146,748)	(3,523,211)
	<u>(46,977)</u>	<u>(3,523,211)</u>
<b>30.1 Relationship between tax expense and accounting profit</b>		
Accounting Profit / (loss) for the year	644,071	(10,997,890)
Tax on income @ 35%	225,425	(3,849,261)
Effect of permanent differences	(8,187)	20,886
Adjustment in respect of tax at reduced rates	(91,036)	-
Others	(272,950)	305,164
Minimum tax	99,771	-
Tax charge for the year	<u>(46,977)</u>	<u>(3,523,211)</u>
<b>31. BASIC / DILUTED EARNINGS / (LOSS) PER SHARE</b>		
Profit / (Loss) after taxation (Rs. '000')	691,048	(7,474,679)
Weighted average number of ordinary shares outstanding during the year (in '000')	4,043,727	2,843,727
Earnings / (Loss) per share - basic / diluted (Rupees)	<u>0.17</u>	<u>(2.63)</u>
<b>32. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	8,834,275	9,355,104
Balances with other banks (net of provision)	3,683,783	793,843
	<u>12,518,058</u>	<u>10,148,947</u>
<b>33. STAFF STRENGTH</b>	(Numbers)	
Permanent	4,890	5,126
Temporary / on contractual basis	65	128
Bank's own staff strength at the end of the year	<u>4,955</u>	<u>5,254</u>
Outsourced	1,430	1,656
Total staff strength	<u>6,385</u>	<u>6,910</u>

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

### 34. DEFINED BENEFIT PLAN

**34.1** The benefits under the gratuity scheme are payable in lump sum on retirement at the age of 60 years or earlier cessation of services. The benefit is equal to one month's last drawn basic salary of each year of confirmed service, subject to a minimum of five years of service.

#### 34.2 Principal actuarial assumptions

The actuarial valuation is carried out periodically. The actuarial valuation was carried out for the year ended December 31, 2009 using the "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:-

	Gratuity	
	2009	2008
- Valuation discount rate	12%	15%
- Salary increase rate	11%	14%
- Mortality rate	Based on LIC 1975-79 Ultimate Mortality table	
- Withdrawal rate	Heavy Age - Wise withdrawal rates	

Note	2009	2008	2007	2006	2005
(Rupees '000')					
<b>34.3 Reconciliation of (receivable from) / payable to defined benefit plan</b>					
Present value of defined benefit obligations	81,502	58,963	33,919	22,109	23,453
Unrecognized prior service cost	-	1,630	3,261	4,892	-
Net actuarial gains not recognized	(7,771)	(3,536)	7,326	5,858	29
	73,731	57,057	44,506	32,859	23,482
Assumed on amalgamation	-	-	(76,634)	-	-
Net liability / (receivable)	73,731	57,057	(32,128)	32,859	23,482
<b>34.4 (Income) / charge for defined benefit plan</b>					
Current service cost	13,962	10,922	10,808	9,357	11,317
Software project expense capitalized	(829)	-	-	-	-
Interest cost	6,398	3,834	2,751	1,651	1,376
Actuarial (gain) recognized	-	(303)	(281)	-	-
Amortization of prior service cost	(1,630)	(1,631)	(1,631)	(1,631)	-
	17,901	12,822	11,647	9,377	12,693
<b>34.5 Movement in balance (receivable) / payable</b>					
Opening balance	57,057	(32,128)	32,859	23,482	10,789
Expense recognized	17,901	12,822	11,647	9,377	12,693
Software project expense capitalized	829	-	-	-	-
Benefits paid to outgoing members	(2,056)	(271)	-	-	-
	73,731	(19,577)	44,506	32,859	23,482
Assumed on amalgamation	-	76,634	(76,634)	-	-
Closing balance	73,731	57,057	(32,128)	32,859	23,482
<b>34.6 Summary of valuation results for the current and previous periods</b>					
Present value of defined benefit obligations	81,502	58,963	33,919	22,109	23,453
Fair value of plan assets	-	-	-	-	-
Deficit	81,502	58,963	33,919	22,109	23,453
Experience (gain) / loss on obligation	4,235	10,559	(1,749)	(823)	(785)

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009	2008
	(Rupees '000')	
<b>34.7 Reconciliation of present value of defined benefit obligations</b>		
Opening balance	58,963	33,919
Current service cost	13,962	10,922
Interest cost	6,398	3,834
Benefits paid	(2,056)	(271)
Actuarial loss on obligations	4,235	10,559
Closing balance	<u>81,502</u>	<u>58,963</u>

### 34.8 Expected contribution for the next one year

The Bank provides for gratuity as per the actuary's expected charge for the next one year. Based on actuarial advice, management estimates that the charge in respect of the defined benefit plan for the year ending December 31, 2010 would be Rs. 24.727 million.

### 35. DEFINED CONTRIBUTION PLAN

The Bank has established a provident fund scheme administered by the Board of Trustees for all permanent employees. Equal monthly contributions are made to the fund by both the Bank and the employees @ 10% of basic salary.

### 36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees '000')					
Fees	–	–	1,864	934	–	–
Managerial remuneration	17,419	33,365	–	–	647,057	710,199
Charge for defined benefit plan	2,433	858	–	–	13,238	8,188
Contribution to defined contribution plan	1,742	2,036	–	–	44,876	40,605
Rent and house maintenance	6,097	7,127	–	–	171,483	160,272
Utilities	1,742	2,036	–	–	48,995	45,792
Others	1,742	2,036	–	–	48,995	45,792
	<u>31,175</u>	<u>47,458</u>	<u>1,864</u>	<u>934</u>	<u>974,644</u>	<u>1,010,848</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>505</u>	<u>446</u>

The President / Chief Executive is also provided with free use of a Bank maintained car, travel and medical insurance, security arrangements and reimbursement of household utilities, as per the terms of his employment.

Directors fees are paid to non executive directors only.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 37.1 On-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
(Rupees '000')				
<b>Assets</b>				
Cash and balances with treasury banks	8,834,275	8,834,275	9,355,104	9,355,104
Balances with other banks	3,683,783	3,683,783	793,843	793,843
Lendings to financial institutions	5,681,887	5,681,887	12,459,621	12,459,621
Investments	62,432,977	61,475,237	35,176,823	33,348,730
Advances	84,021,406	84,021,406	80,344,193	80,344,193
Other assets	5,352,971	5,352,971	2,931,416	2,931,416
	<u>170,007,299</u>	<u>169,049,559</u>	<u>141,061,000</u>	<u>139,232,907</u>
<b>Liabilities</b>				
Bills payable	1,574,207	1,574,207	1,432,084	1,432,084
Borrowings	62,523,365	62,523,365	23,651,366	23,651,366
Deposits and other accounts	93,919,805	93,919,805	104,586,167	104,586,167
Sub-ordinated loans	3,997,600	3,677,792	3,999,200	3,688,000
Other liabilities	3,808,217	3,808,217	5,301,183	5,301,183
	<u>165,823,194</u>	<u>165,503,386</u>	<u>138,970,000</u>	<u>138,658,800</u>

#### 37.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>54,098,436</u>	<u>53,754,151</u>	<u>40,016,604</u>	<u>39,228,162</u>
Forward sale of foreign exchange	<u>54,609,998</u>	<u>54,292,292</u>	<u>35,625,891</u>	<u>35,313,470</u>

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

Fair values of held-to-maturity securities, sub-ordinated loans and investment in quoted associates have been stated at market values.

Fair value of unquoted equity securities have been stated at lower of cost and Net Assets Value.

Except for investment in unquoted subsidiaries, fixed term advances of over one year, staff loans and fixed term deposits of over one year, the fair value of other on balance sheet financial assets and liabilities are not significantly different from their book value as these assets and liabilities are either short term in nature or are frequently re-priced.

The fair value of unquoted subsidiaries, fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active markets for similar assets and liabilities.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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

The Bank is organized into reportable segments as disclosed in note 6.21.1. These segments are managed by respective segment heads and the results of these segments are regularly reviewed by the Bank's President / Chief Executive. Segment performance is reviewed on the basis of various factors including profit before taxation.

Transactions between reportable segments are carried out on an arms length basis.

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

For the Year ended December 31, 2009						
	Corporate and Investment Banking	Small & Medium Enterprises and Commercial	Consumer and Small Enterprises	Treasury	Head Office / Other	*Adjustments
(Rupees '000')						
Net Interest Income	169,850	1,360,095	4,103,465	428,333	(661,737)	-
Non Funded Income	212,812	293,881	315,341	787,150	72,649	-
Net Interest and non markup Income	382,662	1,653,976	4,418,806	1,215,483	(589,088)	-
Total expenses including provisions (excluding Impairment)	(1,098,212)	1,903,413	4,865,986	179,294	(16,139)	-
Impairment against Investment	-	-	-	575,705	27,721	-
Total expenses including provisions	(1,098,212)	1,903,413	4,865,986	754,999	11,582	-
Segment Net income / (loss) before tax	1,480,874	(249,437)	(447,180)	460,484	(600,670)	-
Segment Return on net assets (ROA) (%)	2.16%	(0.33%)	(0.34%)	0.60%	-	N/A
Segment Cost of funds (%)	11.35%	8.03%	7.85%	10.24%	-	N/A

For the Year ended December 31, 2008						
Net Interest Income	430,785	1,114,875	2,949,002	410,791	(503,578)	-
Non Funded Income	195,572	324,249	268,720	815,805	817,530	-
Net Interest and non markup Income	626,357	1,439,124	3,217,722	1,226,596	313,952	-
Total expenses including provisions (excluding Impairment)	6,300,648	2,489,869	7,832,105	211,239	178,393	-
Impairment against Investment	-	-	-	329,697	479,690	-
Total expenses including provisions	6,300,648	2,489,869	7,832,105	540,936	658,083	-
Segment Net income / (loss) before tax	(5,674,291)	(1,050,745)	(4,614,383)	685,660	(344,131)	-
Segment Return on net assets (ROA) (%)	(10.88%)	(1.43%)	(3.93%)	1.29%	-	N/A
Segment Cost of funds (%)	10.43%	7.22%	6.72%	9.58%	-	N/A

As at December 31, 2009						
Segment Assets (Gross)	60,818,284	47,006,481	81,323,632	75,837,915	6,225,250	(47,113,248)
Segment Non Performing Loans	15,704,688	4,439,824	3,190,204	-	94,810	-
Segment Provision (including general provisions)	12,453,510	2,021,756	1,431,033	-	73,052	-
Segment Assets (Net)	48,364,774	44,984,725	79,892,599	75,837,915	6,152,198	(47,113,248)
Segment Liabilities	44,384,145	32,632,054	61,727,499	71,869,820	3,090,448	(47,113,248)

As at December 31, 2008						
Segment Assets (Gross)	48,889,520	51,644,530	82,629,574	36,050,795	7,180,465	(30,507,481)
Segment Non Performing Loans	17,628,565	2,005,142	2,731,618	-	92,487	-
Segment Provision (including general provisions)	14,104,484	1,016,573	1,764,744	-	92,487	-
Segment Assets (Net)	34,785,036	50,627,957	80,864,830	36,050,795	7,087,978	(30,507,481)
Segment Liabilities	30,495,873	39,013,655	63,110,622	34,726,619	2,371,319	(30,507,481)

\* The respective segment assets and liabilities incorporate intersegment lending and borrowing, with appropriate transfer pricing. The adjustments column eliminates intersegment lending and borrowing.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

## 39. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its holding company (refer note 1), subsidiaries (refer note 10.11), associated undertakings (refer note 10.10), employee benefit plans (refer note 34) and its key management personnel.

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties. The detail of transactions with related parties is given below:

	Holding company		Subsidiaries		Associates		Key Management Personnel		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>39.1 Balances outstanding as at the year end</b>										
<b>Advances</b>										
At the beginning of the year	-	-	-	-	305,248	7,545	104,275	146,633	-	-
Addition during the year	-	-	-	-	300,000	807,686	92,848	44,298	-	-
Repaid during the year	-	-	-	-	(605,248)	(509,983)	(24,217)	(86,656)	-	-
At the end of the year	-	-	-	-	-	305,248	172,906	104,275	-	-
<b>Deposits</b>										
At the beginning of the year	66,809	43,089	788,343	148,604	510,344	322,425	34,534	9,257	264,199	84,272
Deposits during the year	-	22,987	1,429,377	1,170,467	32,224,078	40,012,702	189,459	173,024	5,793,782	4,953,083
Exchange difference	1,376	4,765	18	2,095	(31,598,427)	(39,824,783)	(216,698)	(147,747)	(5,950,120)	(4,773,156)
Withdrawal during the year	(1,880)	(4,032)	(1,136,811)	(532,823)	1,135,995	510,344	7,295	34,534	107,861	264,199
At the end of the year	66,305	66,809	1,080,927	788,343	1,135,995	510,344	7,295	34,534	107,861	264,199
<b>Investment in shares / mutual funds - cost</b>										
At the beginning of the year	-	-	4,790,704	4,790,704	2,097,647	2,052,647	-	-	191,968	191,968
Investments made during the year	-	-	-	-	60,000	45,000	-	-	-	-
Investments sold / liquidated during the year	-	-	(205,963)	-	(258,129)	-	-	-	(7,822)	-
At the end of the year	-	-	4,584,741	4,790,704	1,899,518	2,097,647	-	-	184,146	191,968
<b>Receivables</b>										
At the end of the year	133	133	698	301	-	-	-	-	-	-
<b>Insurance claim receivable</b>										
At the end of the year	-	-	-	-	84,083	101,207	-	-	-	-
<b>Payables</b>										
At the end of the year	2,563	946	-	-	-	-	-	-	269	-
<b>Brokerage payable</b>										
At the end of the year	-	-	-	-	-	-	-	-	161	136
<b>Payable to Directors</b>										
At the end of the year	-	-	-	-	-	-	-	-	-	5,682
<b>Insurance premium payable</b>										
At the end of the year	-	-	-	-	4,691	296	-	-	-	-
<b>Sub-ordinated loans</b>										
At the end of the year	-	-	-	-	-	-	-	-	-	49,970



# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

	Holding company		Subsidiaries		Associates		Key Management Personnel		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees '000')									
<b>39.2 Income / Expense for the year</b>										
Mark-up / return / interest earned on advances	-	-	-	-	8,963	8,049	5,840	5,501	-	-
Mark-up / return / interest expensed on deposits	-	-	99,040	46,196	198,350	98,562	466	241	39,207	6,969
Dividend income from shares / mutual funds	-	-	17,744	750,000	61,797	117,543	-	-	10,874	4,531
Brokerage expense	-	-	-	-	-	-	-	-	2,348	1,937
Directors remuneration	-	-	-	-	-	-	-	-	1,864	934
Directors travelling expense	4,694	1,095	-	-	-	-	-	-	-	-
Insurance premium expense	-	-	-	-	4,395	66,740	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	149,838	205,493	-	-
Contribution to Provident Fund	-	-	-	-	-	-	-	-	118,031	90,653
Mark-up expense on sub-ordinated loans	-	-	-	-	-	-	-	-	7,163	-

Operating fixed assets amounting to Rs. 171,383 have been purchased from PICIC Exchange Company (Private) Limited

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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

#### 40.1 Scope of Applications

Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by the SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted the Standardized Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The current requirement for CAR is 10% as per BSD Circular No. 07 dated April 15, 2009.

#### 40.2 Capital Structure

The Bank's regulatory capital base comprises of:

(a) Tier I capital which includes share capital, reserves and accumulated losses / unappropriated profit.

(b) Tier II capital which consists of sub-ordinated loans (subject to 50% of eligible Tier I capital), revaluation reserves (subject to 45% of balance in revaluation reserve) and general provision for loan losses (subject to 1.25% of Risk Weighted Assets).

The issued, subscribed and paid-up capital of the Bank was Rs. 40,437.271 million as at December 31, 2009, comprising of 4,043.727 million shares of Rs. 10 each.

The sub-ordinated loans amounting to Rs. 3,997.600 million represents unsecured TFCs of the Bank. The amount raised through the issue contributed towards the Bank's Tier II capital for Capital Adequacy Ratio requirements as per the guidelines of the SBP.

**Details of the Bank's regulatory capital are as under:**

	Note	2009	2008
		(Rupees '000')	
<b>Tier I Capital</b>			
Fully paid-up capital		40,437,271	28,437,271
Share premium		8,246,618	8,246,618
Share deposit money		–	12,000,000
Statutory and general reserves		218,276	80,066
Accumulated loss		(7,258,893)	(7,757,283)
		<u>41,643,272</u>	<u>41,006,672</u>
Less:			
Goodwill and intangibles	40.2.1	24,860,657	24,307,993
Deficit on account of revaluation of investments held as available-for-sale		186,522	1,585,251
Other deductions (represents 50% of investment in subsidiary and other significant associates)	40.2.1	61,050	199,679
Total Tier I Capital		<u>16,535,043</u>	<u>14,913,749</u>
<b>Tier II Capital</b>			
Sub-ordinated Debt (upto 50% of total Tier I Capital)		3,997,600	3,999,200
General Provision for loan losses (subject to 1.25% of Total Risk Weighted Assets)		232,894	262,773
Less:			
Other deductions (represents 50% of investment in subsidiary and other significant associates)	40.2.1	61,050	199,679
Total Tier II Capital		<u>4,169,444</u>	<u>4,062,294</u>
<b>Eligible Tier III Capital</b>		<u>–</u>	<u>–</u>
Total Regulatory Capital Base (a)		<u><u>20,704,487</u></u>	<u><u>18,976,043</u></u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

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**40.2.1** The SBP has granted the Bank exemption from deduction of the following from Tier I and Tier II capital.

(i) Intangible assets (other than Goodwill and Computer software) amounting to Rs. 2,082.614 million (2008: Rs. 2,356.445 million) arising from the acquisition of PICIC and PCBL; and

(ii) Investment in PICIC Asset Management Company Limited of Rs. 4,584.017 million (2008: Rs. 4,527.090 million).

The above exemptions have been granted upto December 31, 2009.

### **40.3 Capital Adequacy**

The purpose of capital management at the Bank is to ensure efficient utilization of capital in relation to business requirements, growth, risk appetite, shareholders' returns and expectations.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions, regulatory requirements and the risk profile of its activities. In order to maintain or adjust the capital structure, the Bank may issue capital / Tier II securities.

The Bank's capital adequacy ratio as at December 31, 2009 was 19.58% compared to the minimum regulatory requirement of 10%. The Bank ensures adherence to SBP's requirements by monitoring its capital adequacy on a regular basis.

Banking operations are categorized as either Trading book or Banking book, and Risk-Weighted Assets are determined according to SBP requirements that seek to reflect the varying levels of risk attached to the Bank's On and Off-balance sheet exposures.

Collateral, if any, is used as an outflow adjustment. Risk weights notified are applied to Net Adjusted Exposure.

Cash and near Cash collateral includes Government of Pakistan securities, shares listed on the stock exchanges, cash and cash equivalents (deposits / margins, lien on deposits).

The Bank has complied with all regulatory capital requirements during the year.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

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

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
(Rupees '000')				
<b>Credit Risk</b>				
Corporate	3,595,913	3,009,401	35,959,134	33,437,790
Sovereign	4,520	–	45,204	–
Retail	2,526,923	2,633,269	25,269,230	29,258,549
Banks	200,249	96,468	2,002,495	1,071,867
Equity investments	989,672	872,454	9,896,717	9,693,928
Public sector entities	30,240	918	302,399	10,201
Past due loans	799,374	480,440	7,993,743	5,338,218
Claims against residential mortgage	75,086	54,637	750,860	607,080
Investments in premises, plant and equipment and all other fixed assets	311,463	333,218	3,114,632	3,702,426
Other assets	456,556	260,522	4,565,558	2,894,686
Off balance sheet market related exposures	37,476	34,313	374,760	381,252
	9,027,472	7,775,640	90,274,732	86,395,997
<b>Market Risk</b>				
Interest Rate Risk	427,603	61,068	4,276,027	678,531
Foreign Exchange Risk	6,650	4,853	66,499	53,924
	434,253	65,921	4,342,526	732,455
<b>Operational Risk</b>	1,113,750	903,338	11,137,496	10,037,088
<b>TOTAL</b>	(b) <b>10,575,475</b>	<b>8,744,899</b>	<b>105,754,754</b>	<b>97,165,540</b>
			<b>2009</b>	<b>2008</b>
			(Rupees '000')	
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held			20,704,487	18,976,043
Total Risk Weighted Assets			105,754,754	97,165,540
Capital Adequacy Ratio (a) / (b)			<b>19.58%</b>	<b>19.53%</b>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 40.4 Types of Exposures and ECAs used

The Bank uses external ratings from local and foreign rating agencies. The Bank has obtained ratings from the websites of External Credit Assessment Institutions (ECAIs) and followed the SBP rating grade for mapping.

Exposures	JCR-VIS	PACRA	Fitch	Moody's	Standard & Poor
Corporate	✓	✓	–	–	–
Sovereigns	–	–	–	–	–
Retail	–	–	–	–	–
Banks	✓	✓	✓	✓	✓

### 40.5 Credit exposure subject to Standardized Approach

Exposure	2009			
	(Rupees '000')			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	780,952	–	780,952
Corporate	2	2,781,711	334,901	2,446,810
Corporate	3,4	52,155	–	52,155
Corporate	5,6	51,012	–	51,012
Corporate	Unrated	36,315,133	1,864,266	34,450,867
<b>Retail</b>		37,663,988	3,971,681	33,692,307
<b>Banks</b>				
- Over 3 Months	1	1,185,951	–	1,185,951
- Over 3 Months	2,3	648,990	310,265	338,725
- Over 3 Months	4,5	–	–	–
- Over 3 Months	Unrated	300,181	–	300,181
- Maturity Upto and under 3 Months in FCY	1,2,3	3,071,535	–	3,071,535
- Maturity Upto and under 3 Months in FCY	4,5	–	–	–
- Maturity Upto and under 3 Months in FCY	6	–	–	–
- Maturity Upto and under 3 Months in FCY	Unrated	616,353	–	616,353
- Maturity Upto and under 3 Months in PKR	Unrated	6,627,525	3,086,159	3,541,366
<b>Public Sector Entities</b>	Unrated	751,548	268,505	483,043
<b>Sovereigns</b>		29,548,010	–	29,548,010
<b>Others</b>		27,588,598	–	27,588,598
<b>Total</b>		<b>147,983,642</b>	<b>9,835,777</b>	<b>138,147,865</b>

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### 41. RISK MANAGEMENT

While the overall responsibility of risk management rests with the Board of Directors, the Bank's senior management has implemented a risk management framework with well defined policies and procedures, duly approved by the Board, for mitigating, monitoring and controlling risks.

The Board of Directors of the Bank has approved the risk management strategy of the Bank and entrusted the implementation to the Board's Risk Management Committee (BRMC).

The Integrated Risk Management Committee (IRMC) is responsible for reviewing and highlighting key risk issues that require senior management's attention. IRMC comprises of members from business units and the risk functions. An enterprise level assessment of risk composition is made at this platform and where necessary, recommendations are made to improve upon processes and procedures to further strengthen the risk framework.

Risk management heads for the business segments report to the integrated risk management head. For the CSEG and SMEC businesses, they also report to the business head. The risk management heads are responsible for ensuring the implementation of the Bank's risk framework in their respective domains in line with the business model of the Bank and also in compliance with SBP guidelines.

The Bank also conducts stress testing analysis across portfolios, by anticipating changes and applying shocks of different intensity values, thereby evaluating their effects on the value of the portfolios.

#### 41.1 Credit Risk:

Credit risk is the risk of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend and contingent liabilities, such as letters of credit, repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions.

The objective of credit risk management by the Bank is to ensure that the risk of default by a client or counterparty is reduced to a minimum, keeping in view the risk management policies of the Bank.

The Bank has established an appropriate credit risk environment which is operating under a sound credit-granting process, maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate controls.

A credit approval process has been defined and is followed by all businesses in the Bank. Initial credit approvals and extensions are only approved by Credit Committees established at various levels. In order to measure credit risk, an internally developed rating system is followed, which addresses Basel-II requirements.

Following are the basic guiding principles of credit risk management that are embedded in the Bank and across business segments:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.
- A well constituted organizational structure clearly defining roles and responsibilities of individuals involved in taking as well as managing risk.
- An effective management information system that ensures flow of information from the operational level to top management and a system to address any exceptions observed.
- An effective mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.
- Review of portfolios by BRMC on a quarterly basis and by IRMC on a monthly basis to evaluate the health of the portfolio.

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

### 41.1.1 Segmental Information

#### 41.1.1.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Agriculture, Forestry, Hunting and Fishing	400,966	0.40	1,261,982	1.34	1,400	0.00
Automobile and Transportation Equipment	731,475	0.73	142,459	0.15	142,596	0.12
Cement, Glass and Ceramics	2,639,775	2.64	211,520	0.23	848,778	0.68
Chemicals and Pharmaceuticals	2,322,143	2.32	1,469,676	1.56	982,228	0.80
Construction	1,051,582	1.05	1,153,125	1.23	739,228	0.60
Electronics and Electrical Appliances	1,749,316	1.75	198,077	0.21	473,028	0.38
Engineering	675,273	0.68	808,232	0.86	94,771	0.08
Exports / Imports	4,211,060	4.21	–	–	559,060	0.45
Financial	615,094	0.62	6,354,607	6.77	104,928,437	84.96
Food and Beverages	5,714,534	5.71	431,578	0.46	–	–
Footwear and Leather Garments	1,329,954	1.33	384,687	0.41	81,566	0.07
Individuals	9,953,453	9.95	43,199,123	46.00	282,525	0.22
Insurance	–	–	398,623	0.42	200	0.00
Mining and Quarrying	460,427	0.46	1,448,910	1.54	34,695	0.03
Non Profit Organizations / Trusts	855	0.00	5,023,090	5.35	–	–
Oil and Gas	363,584	0.36	3,664,433	3.90	109,252	0.09
Paper and Printing	1,338,753	1.34	187,453	0.20	302,987	0.25
Power, Gas, Water and Sanitary	2,586,385	2.59	2,204,557	2.35	1,993,607	1.61
Services	4,794,963	4.80	4,289,991	4.57	616,485	0.49
Sugar	2,109,984	2.11	139,413	0.15	19,426	0.02
Textile	30,280,691	30.28	962,298	1.02	4,494,888	3.64
Transport, Storage and Communication	1,827,523	1.83	6,972,624	7.42	2,161,623	1.75
Wholesale and Retail Trade	14,238,474	14.24	3,155,490	3.36	1,444,698	1.17
Others	10,604,493	10.60	9,857,857	10.50	3,193,709	2.59
	<u>100,000,757</u>	<u>100.00</u>	<u>93,919,805</u>	<u>100.00</u>	<u>123,505,187</u>	<u>100.00</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Agriculture, Forestry, Hunting and Fishing	556,752	0.57	1,421,503	1.36	76,546	0.08
Automobile and Transportation Equipment	1,124,302	1.16	407,736	0.39	318,496	0.34
Cement, Glass and Ceramics	2,689,299	2.76	888,399	0.85	1,021,848	1.10
Chemicals and Pharmaceuticals	2,119,215	2.18	1,381,350	1.32	997,125	1.07
Construction	1,713,133	1.76	889,092	0.85	368,223	0.40
Electronics and Electrical Appliances	2,420,992	2.49	381,294	0.36	910,281	0.98
Engineering	406,099	0.42	491,640	0.47	689,278	0.74
Exports / Imports	3,307,610	3.40	-	-	2,919,384	3.13
Financial	456,619	0.47	5,117,482	4.89	74,721,430	80.22
Food and Beverages	4,285,239	4.40	450,995	0.43	182,851	0.20
Footwear and Leather Garments	1,822,504	1.87	577,877	0.55	239,063	0.26
Individuals	9,122,813	9.37	41,126,018	39.32	439,169	0.47
Insurance	-	-	466,131	0.45	200	0.00
Mining and Quarrying	317,007	0.33	1,638,560	1.57	-	-
Non Profit Organizations / Trusts	28,822	0.03	9,432,084	9.02	2,770	0.00
Oil and Gas	309,473	0.32	4,628,078	4.43	-	-
Paper and Printing	1,669,655	1.72	387,195	0.37	368,558	0.40
Power, Gas, Water and Sanitary	942,005	0.97	2,034,481	1.95	2,449,877	2.63
Services	4,194,538	4.30	4,405,594	4.21	244,305	0.26
Sugar	3,090,445	3.18	143,137	0.14	35,910	0.04
Textile	30,587,442	31.42	968,858	0.93	2,537,815	2.72
Transport, Storage and Communication	1,642,367	1.69	10,639,145	10.17	2,799,597	3.00
Wholesale and Retail Trade	12,925,767	13.28	2,985,315	2.85	578,494	0.62
Others	11,590,383	11.91	13,724,203	13.12	1,243,607	1.34
	<u>97,322,481</u>	<u>100.00</u>	<u>104,586,167</u>	<u>100.00</u>	<u>93,144,827</u>	<u>100.00</u>

### 41.1.1.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Public / Government	5,777,183	5.78	12,131,321	12.92	2,245,237	1.82
Private	94,223,574	94.22	81,788,484	87.08	121,259,950	98.18
	<u>100,000,757</u>	<u>100.00</u>	<u>93,919,805</u>	<u>100.00</u>	<u>123,505,187</u>	<u>100.00</u>

  

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Public / Government	1,019,821	1.05	20,597,285	19.69	3,921,465	4.21
Private	96,302,660	98.95	83,988,882	80.31	89,223,362	95.79
	<u>97,322,481</u>	<u>100.00</u>	<u>104,586,167</u>	<u>100.00</u>	<u>93,144,827</u>	<u>100.00</u>



## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
(Rupees '000')				
<b>41.1.1.3 Details of non-performing advances and specific provisions by class of business segment</b>				
Agriculture, Forestry, Hunting and Fishing	35,791	4,733	497	124
Automobile and Transportation Equipment	368,430	368,430	380,198	365,005
Cement, Glass and Ceramics	1,071,888	759,816	1,156,943	848,274
Chemicals and Pharmaceuticals	345,711	237,654	309,720	295,666
Construction	342,789	103,274	155,891	74,365
Electronics and Electrical Appliances	261,762	214,089	745,766	309,069
Engineering	616,824	532,536	570,054	490,972
Financial	4,995	3,527	–	–
Food and Beverages	318,148	261,955	304,645	292,528
Footwear and Leather Garments	69,376	66,076	63,754	59,771
Individuals	1,997,960	675,157	2,442,253	1,498,016
Mining and Quarrying	5,521	716	–	–
Oil and Gas	9,851	7,337	–	–
Paper and Printing	191,736	175,517	174,233	168,200
Power, Gas, Water and Sanitary	439,881	236,146	467,638	250,939
Services	349,259	179,243	73,446	56,210
Sugar	1,129,272	791,249	1,196,256	854,872
Textile	11,087,571	8,658,417	11,225,043	9,056,623
Transport, Storage and Communication	814,417	669,334	589,136	485,410
Wholesale and Retail Trade	3,068,280	1,334,106	1,600,884	950,534
Others	900,064	467,145	1,001,455	658,937
	<u>23,429,526</u>	<u>15,746,457</u>	<u>22,457,812</u>	<u>16,715,515</u>

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
(Rupees '000')				
<b>41.1.1.4 Details of non-performing advances and specific provisions by sector</b>				
Public / Government	–	–	–	–
Private	23,429,526	15,746,457	22,457,812	16,715,515
	<u>23,429,526</u>	<u>15,746,457</u>	<u>22,457,812</u>	<u>16,715,515</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2009			
	Profit / (Loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees '000')			
<b>41.1.1.5 Geographical Segment Analysis</b>				
Pakistan	644,071	208,118,963	41,528,245	123,505,187
	2008			
Pakistan	(10,997,890)	178,909,115	39,698,508	93,144,827

### 41.2 Market Risk

Market risk is primarily composed of price risk and arises out of treasury trading and investment activities. It is the risk that the value of on and off balance sheet positions of the Bank will be adversely affected by movements in market rates or prices.

The Bank recognizes that it may be exposed to market risk in a variety of ways. Market risk exposure may be explicit in the portfolio of equities and foreign currencies that are actively traded. Conversely, it may be implicit, such as interest rate risk due to mismatch of loans and deposits. Market risk may also arise from activities categorized as off balance sheet items.

#### 41.2.1 Foreign Exchange Risk

Foreign exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The core objective of foreign exchange risk management is to ensure that the exposure of the Bank remains within desired levels of risk appetite.

Furthermore, the Bank monitors Value at Risk (VaR) and Price Value Basis Point (PVBP) for the foreign exchange portfolio in order to estimate any potential losses due to changes in price. The Bank also monitors maturity mismatch gaps to identify any potential risks.

The Bank has implemented global / regulatory best practices in order to manage the inherent risk of product and market, such as credit limits, monitoring of foreign exchange exposure limits, review of mark to market portfolio etc.

	2009			Net foreign currency exposure
	Assets	Liabilities	Off Balance sheet items	
	(Rupees '000')			
Pakistan Rupee	199,501,186	158,625,175	511,563	41,387,574
United States Dollar	7,910,822	5,428,190	(2,476,479)	6,153
Great Britain Pound	177,869	1,299,944	1,182,588	60,513
Euro	477,273	1,209,010	782,328	50,591
Japanese Yen	11,059	5	-	11,054
Swiss Franc	23,957	19,861	-	4,096
Others	16,797	8,533	-	8,264
	<u>208,118,963</u>	<u>166,590,718</u>	<u>-</u>	<u>41,528,245</u>

## Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

	2008			Net foreign currency exposure
	Assets	Liabilities	Off Balance sheet items	
	----- (Rupees '000') -----			
Pakistan Rupee	173,503,954	129,816,465	(3,963,632)	39,723,857
United States Dollar	4,520,301	6,997,947	2,438,132	(39,514)
Great Britain Pound	227,212	1,197,768	964,159	(6,397)
Euro	607,700	1,177,053	561,341	(8,012)
Japanese Yen	12,016	60	-	11,956
Swiss Franc	16,491	14,024	-	2,467
Others	21,441	7,290	-	14,151
	<u>178,909,115</u>	<u>139,210,607</u>	<u>-</u>	<u>39,698,508</u>

### 41.2.2 Equity Price Risk and Fixed Income Rate Risk

The Bank has a set of approved notional & dealer limits for managing risk across the trading & banking book. In order to manage the market risk in the trading book, the Bank periodically applies a VaR methodology to assess the market risk positions held. Currently the Bank is using variance covariance model for calculating VaR across both the equity & fixed income portfolios.

Equity Price Risk is the risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Bank. Price risk associated with equities could be systemic or idiosyncratic. The Bank is also using Market Risk tools such as Alpha, Beta and Sharpe ratio for risk measurement and assessment.

Fixed income securities are subject to the risk of price volatility due to interest rate movements. Fixed rate debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. The Bank is using Market Risk tools such as PVB, Duration, Parallel shift and Non Parallel shift for risk measurement and assessment.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

## 41.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	Total	Exposed to Yield / Interest rate risk										Above 10 Years	Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 to 15 Years	Over 15 to 20 Years			
<b>On-balance sheet financial instruments</b>														
<b>Assets</b>														
Cash and balances with treasury banks	8,834,275	1,233,705	-	-	-	-	-	-	-	-	-	-	-	7,600,570
Balances with other banks	3,683,783	3,310,429	-	-	-	-	-	-	-	-	-	-	-	373,354
Lendings to financial institutions	5,681,887	5,321,887	360,000	-	-	-	-	-	-	-	-	-	-	-
Investments	62,432,977	100,015	3,367,623	24,988,256	1,405,060	889,667	4,958,972	46,236	628,668	-	-	-	-	7,138,488
Advances	84,021,406	7,619,594	48,894,939	2,262,002	3,985,726	3,115,557	3,973,945	899,647	677,457	-	-	-	-	-
Other assets	5,352,971	-	470,832	-	-	-	-	-	-	-	-	-	-	4,882,139
	170,007,299	17,585,630	52,622,562	27,250,258	5,390,786	4,005,224	8,932,917	945,883	1,306,125	-	-	-	-	19,994,551
<b>Liabilities</b>														
Bills payable	1,574,207	-	-	-	-	-	-	-	-	-	-	-	-	1,574,207
Borrowings	62,523,365	45,121,109	5,780,925	270,770	387,841	337,411	861,019	265,612	-	-	-	-	-	-
Deposits and other accounts	93,919,805	11,506,674	18,819,204	4,650,751	780,000	361,388	240,402	-	-	-	-	-	-	24,793,400
Sub-ordinated loans	3,997,600	-	3,997,600	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,808,217	-	-	-	-	-	-	-	-	-	-	-	-	3,808,217
	165,823,194	56,627,783	28,597,729	4,921,521	1,167,841	698,799	1,101,421	265,612	680,271	1,306,125	-	-	-	30,175,824
<b>On-balance sheet gap</b>	<b>4,184,105</b>	<b>(39,042,153)</b>	<b>24,024,833</b>	<b>22,328,737</b>	<b>4,222,945</b>	<b>3,306,425</b>	<b>7,831,496</b>	<b>680,271</b>	<b>1,306,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,181,273)</b>
<b>Off-balance sheet financial instruments</b>														
Foreign exchange contracts - purchase	54,098,436	16,997,554	28,754,551	967,970	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts - sale	54,609,998	18,178,682	29,944,602	6,486,714	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>(511,562)</b>	<b>(1,181,128)</b>	<b>(1,190,051)</b>	<b>967,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>	<b>(40,223,281)</b>	<b>22,834,782</b>	<b>(9,401,654)</b>	<b>23,296,707</b>	<b>4,222,945</b>	<b>3,306,425</b>	<b>7,831,496</b>	<b>680,271</b>	<b>1,306,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,181,273)</b>
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>	<b>(40,223,281)</b>	<b>(17,388,499)</b>	<b>(26,790,153)</b>	<b>(3,493,446)</b>	<b>729,499</b>	<b>4,035,924</b>	<b>11,867,420</b>	<b>12,547,691</b>	<b>13,853,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,672,543</b>

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

		2008									
		Exposed to Yield / Interest rate risk									
Effective Yield / Interest rate	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-interest bearing financial instruments
		(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')	(Rupees '000')
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
	0.90%	1,324,100	-	-	-	-	-	-	-	-	8,031,004
Cash and balances with treasury banks		667,626	-	-	-	-	-	-	-	-	126,217
Balances with other banks	0.25%	10,209,752	2,249,869	-	-	-	-	-	-	-	-
Lendings to financial institutions	14.10%	4,088,290	9,532,558	6,739,478	-	5,771	1,288,886	3,921,939	1,636,703	261,036	7,702,162
Investments	11.93%	80,344,193	61,118,000	1,599,136	1,578,646	1,858,115	4,725,879	4,530,749	1,227,609	562,571	-
Advances	15.17%	2,931,416	-	-	-	-	-	-	-	-	2,931,416
Other assets	-	19,433,256	72,900,427	8,338,614	1,578,646	1,863,886	6,014,765	8,452,688	2,864,312	823,607	18,790,799
		1,432,084	12,536,759	2,989,216	216,564	569,607	367,533	607,002	511,866	-	1,432,084
Bills payable	-	22,043,854	12,780,635	31,052,150	15,130,040	1,021,241	976,550	688,880	300	-	20,892,517
Borrowings	9.42%	3,999,200	3,999,200	-	-	-	-	-	-	-	-
Deposits and other accounts	10.08%	5,301,183	-	-	-	-	-	-	-	-	5,301,183
Sub-ordinated loans	14.98%	138,970,000	22,632,654	34,041,366	15,346,604	1,590,848	1,344,083	1,295,882	512,166	-	27,625,784
Other liabilities	-	2,091,000	50,267,773	(25,702,752)	(13,767,958)	273,038	4,670,682	7,156,806	2,352,146	823,607	(8,834,965)
		40,016,604	13,171,908	5,616,886	656,100	-	-	-	-	-	-
Foreign exchange contracts - purchase		35,625,891	14,013,692	11,312,958	10,299,241	-	-	-	-	-	-
Foreign exchange contracts - sale		4,390,713	1,858,950	(4,682,355)	656,100	-	-	-	-	-	-
		(8,589,339)	52,126,723	(30,385,107)	(13,111,858)	273,038	4,670,682	7,156,806	2,352,146	823,607	(8,834,965)
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>		(8,589,339)	43,537,384	13,152,277	40,419	313,457	4,984,139	12,140,945	14,493,091	15,316,698	6,481,713
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>											

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2009

## 41.3 Liquidity Risk

Liquidity risk exposure is the risk caused, among others, by the inability of the Bank to settle its liabilities on their due dates.

The Bank's objective of liquidity management is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The liquidity risk policy is formulated keeping in view SBP's guidelines on risk management and international best practices. The Bank maintains its liquidity by keeping a level of liquid assets that is considered sufficient to settle its obligations when due.

The Bank manages its liquidity risk through

- Controlling the cash flow mismatch between on and off-balance sheet assets and liabilities;
- Maintaining stable and diversified sources of funding;
- Ensuring the Bank has the right asset portfolio mix and sufficient liquid assets on hand in relation to its daily cash flows.

The Bank carries out careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business. Exposure to liquidity risk is also monitored through regular review of liquidity risk limits and escalation of any liquidity risk limit excesses to senior management.

### 41.3.1 Maturities of Assets and Liabilities

	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	2009	
											(Rupees '000')	
<b>Assets</b>												
Cash and balances with treasury banks	8,834,275	8,834,275	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,683,783	3,683,783	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,321,887	5,321,887	360,000	-	-	-	-	-	-	-	-	-
Investments	62,432,977	100,017	4,295,301	14,819,419	25,131,865	1,718,946	2,104,939	7,551,037	373,751	6,337,702	-	-
Advances	84,021,406	49,940,878	3,597,391	10,427,559	2,314,047	5,707,139	4,666,797	5,068,361	1,521,940	787,294	-	-
Operating fixed assets	3,114,632	46,284	144,940	130,297	251,020	294,030	194,151	233,384	197,053	1,623,473	-	-
Intangible assets	26,943,271	30,824	61,517	91,976	183,395	360,624	338,012	622,873	1,032,578	24,221,472	-	-
Deferred tax assets	6,474,384	124,238	248,479	360,013	1,173,929	1,434,017	1,434,017	2,430,441	(999,999)	269,249	-	-
Other assets	6,932,348	677,269	4,615,070	386,328	1,048,211	102,246	38,483	61,254	3,487	-	-	-
	208,118,963	68,759,455	13,322,698	26,215,592	30,102,467	9,617,002	8,776,399	15,957,350	2,128,810	33,239,190	-	-
<b>Liabilities</b>												
Bills payable	1,574,207	1,574,207	-	-	-	-	-	-	-	-	-	-
Borrowings	62,523,365	45,121,109	5,780,925	9,498,678	270,770	387,841	337,411	861,019	265,612	-	-	-
Deposits and other accounts	93,919,805	66,774,370	18,819,204	2,293,690	4,650,751	780,000	361,388	240,402	-	-	-	-
Sub-ordinated loans	3,997,600	-	800	-	800	1,600	1,600	1,996,800	1,996,000	-	-	-
Other liabilities	4,575,741	1,759,426	2,014,137	211,230	319,281	145,472	33,336	19,121	73,738	-	-	-
	166,590,718	115,229,112	26,615,066	12,003,598	5,241,602	1,314,913	733,735	3,117,342	2,335,350	-	-	-
<b>Net assets</b>	41,528,245	(46,469,657)	(13,292,368)	14,211,994	24,860,865	8,302,089	8,042,664	12,840,008	(206,540)	33,239,190	-	-
Share capital	40,437,271											
Reserves	8,464,894											
Accumulated Loss	(7,258,893)											
Deficit on revaluation of assets - net	41,643,272											
	(115,027)											
	41,528,245											

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

2008

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees '000')										
<b>Assets</b>										
Cash and balances with treasury banks	9,355,104	9,355,104	-	-	-	-	-	-	-	-
Balances with other banks	793,843	793,843	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,459,621	10,209,752	2,249,869	-	-	-	-	-	-	-
Investments	35,176,823	3,666,914	11,246,444	5,349,361	59,450	196,083	2,005,372	4,258,692	1,725,534	6,688,973
Advances	80,344,193	43,924,478	7,206,097	3,067,495	3,523,371	5,293,442	7,669,065	7,011,143	1,624,434	1,024,668
Operating fixed assets	3,702,426	191,365	222,537	215,644	263,445	404,259	241,345	300,149	141,008	1,722,654
Intangible assets	26,664,438	24,237	48,475	72,712	145,424	247,210	289,601	514,644	130,461	25,191,674
Deferred tax assets	6,533,228	43,199	86,398	129,697	260,582	(81,721)	(81,721)	55,532	492,930	5,628,432
Other assets	3,879,439	21,881	98,706	3,169,006	355,891	121,678	43,001	68,527	749	-
	178,909,115	68,230,793	21,158,526	12,003,815	4,608,163	6,180,951	10,166,663	12,208,687	4,115,116	40,236,401
<b>Liabilities</b>										
Bills payable	1,432,084	1,432,084	-	-	-	-	-	-	-	-
Borrowings	23,651,366	12,536,759	5,852,819	2,989,216	216,564	569,607	367,533	607,002	511,866	-
Deposits and other accounts	104,586,167	67,656,504	12,780,635	6,332,017	15,130,040	1,021,241	976,550	688,880	300	-
Sub-ordinated loans	3,999,200	-	800	-	800	1,600	1,600	667,733	3,326,667	-
Other liabilities	5,541,790	1,994,229	311,311	2,276,261	575,519	164,091	130,130	33,192	57,057	-
	139,210,607	83,619,576	18,945,565	11,597,494	15,922,923	1,756,539	1,475,813	1,996,807	3,895,890	-
<b>Net assets</b>	39,698,508	(15,388,783)	2,212,961	406,321	(11,314,760)	4,424,412	8,690,850	10,211,880	219,226	40,236,401
Share capital	28,437,271									
Share Deposit Money	12,000,000									
Reserves	8,326,684									
Accumulated Loss	(7,757,283)									
Deficit on revaluation of assets - net	41,006,672									
	(1,308,164)									
	39,698,508									

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2009

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### 41.4 Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The key objectives of Operational Risk measurement and management include:

- Ensuring continued solvency of the Bank through capital adequacy and enhanced understanding and management of significant operational risk exposures.
- Ensuring that customer impact is minimized through proactive and focused risk management practices.
- Ensuring senior management attention on significant operational risk exposure areas and that risk mitigation is given prioritized focus.

The IRMC has the responsibility to supervise and direct the management of operational risks and key operational risk exposures. IRMC is also responsible for ensuring that adequate and appropriate policies and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

The Bank has undertaken the following high-level strategic initiatives for the effective implementation of Operational Risk Management:

- Recruiting skilled resources for Operational Risk Management
- Developing policies, procedures and defining end to end information flow to establish a vigorous governance infrastructure.

### 42. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on February 26, 2010 by the Board of Directors of the Bank.

**Khawaja Iqbal Hassan**  
President / Chief Executive

**Francis A. Rozario**  
Chairman / Director

**Asif Joorna**  
Director

**Syed Aamir Zahidi**  
Director



# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

(Rupees '000')

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others			
1	AHMEDI KHATOON A-3106 PHASE II, GULSHAN-E-HADEED BIN QASIM TOWN, KARACHI	AHMEDI KHATOON	42501-8367583-4	MOHUDDIN AHMED QADRI	658	55	-	713	55	713
2	RAJA KHURRAM SHAHZAD, POST OFFICE STOP KALAN TEHSIL & DISTRICT 35, ISLAMABAD	RAJA KHURRAM SHAHZAD	61101-1759279-3	MUHAMMAD NAZIR RAJA	473	44	-	517	44	517
3	MUHAMMAD RASHID, FLAT NO. 27 BLOCK C5 RABIA FLOWER ABUL ASPHANI ROAD GULSHAN-E-IQBAL, KARACHI	MUHAMMAD RASHID	42401-7517056-5	MUHAMMAD ARSHAD	483	39	-	522	39	522
4	ADNAN SAEED, FLAT NO. B 7 2ND FLOOR FALAK NAZ CENTRE MAIN SHAHRAHE-FAISAL, KARACHI	ADNAN SAEED	42201-4418072-9	MUHAMMAD SAEED	677	50	-	727	50	727
5	MUHAMMAD YOUSAF, HOUSE NO. 25 STREET NO. 05 REHMAN GANJ KHOKHAR ROAD BADAMI BAGH, LAHORE	MUHAMMAD YOUSAF	35202-2753273-3	IOBAL HUSSAIN	802	70	-	872	70	872
6	BASIT HAMEED, FLAT NO. A 3 BEDROCK APARTMENT RAMSEY ROAD FRERE TOWN, KARACHI	BASIT HAMEED	42301-7952967-3	S. A. HAMEED	481	51	-	532	51	532
7	TARIQ MEHMOOD, HOUSE NO. 941 D TYPE COLONY 36, FAISALABAD	TARIQ MEHMOOD	33100-1941986-1	KHALIL MUHAMMAD	535	45	-	580	45	580
8	NAVEED AHMED KHAN, FLAT NO. C/10 GROUND FLOOR PLOT NO. FL/12 SECTOR NO. 5/X NORTH KARACHI, KARACHI	NAVEED AHMED KHAN	42101-5060733-9	MUHAMMAD RASHEED	540	40	-	580	40	580
9	SADIA AMIR, FARHAT COTTAGE STREET NO. 15 MIAN GHULAM QADIR ROAD SWAMI NAGAR, LAHORE	SADIA AMIR	35202-2618206-6	AMIR ANJUM	470	38	-	508	38	508
10	ABDUL BASIT, HOUSE NO. A-37/1 MALIR TOSEER COLONY KHOKRAPAR, KARACHI	ABDUL BASIT	42501-6387417-7	MUHAMMAD SIDDIQUE	677	50	-	727	50	727
11	SHAHID ALI, HOUSE NO. 29-1 STREET NO. 1 MUHAMMADI KOT BAND ROAD, NEAR REHMAT BAKERS, LAHORE	SHAHID ALI	35202-3469320-3	SHARAFAT ALI	480	42	-	522	42	522
12	RAHEEL MALIK, HOUSE 5 STREET 6 MOHALLAH BAGH MUNCHI LAHDABA KACHA RAVI ROAD, LAHORE	RAHEEL MALIK	35202-2461848-3	MUHAMMAD ANWAR	497	41	-	538	41	538
13	MUHAMMAD IRFAN, HOUSE NO. 6 MUHALLA RAJPOOT PARK SHAHDARA TOWN 5, LAHORE	MUHAMMAD IRFAN	35202-9442739-1	MUHAMMAD LATIF BHUTTA	677	50	-	727	50	727
14	MEHMOOD ALAM, HOUSE NO. B-44/2 TABIO ROAD WARD NO. NAVAN SHEER, MULTAN	MEHMOOD ALAM	36302-3396791-5	MUHAMMED RAFIQE TAHIR	541	50	-	591	50	591
15	SYED MUHAMMAD MUJEEB HASAN, B - 152 BLOCK NO. L NORTH NAZIMABAD, KARACHI	SYED MUHAMMAD MUJEEB HASAN	42101-4224761-5	SYED SARFARAZ HASAN	626	81	-	707	81	707
16	SALEEM JAHANGIR, HOUSE NO. NA 223-A STREET 7TH ROAD NEW WALLPUR, RAWALPINDI	SALEEM JAHANGIR	37405-3556042-5	CHAUDHRY CHARAGH DIN	623	78	-	701	78	701
17	FAROOQ AHMED KHAN, HOUSE NO. D-14/1 BLOCK NO. 9 GULSHAN-E-IQBAL, KARACHI	FAROOQ AHMED KHAN	42201-9218623-7	KHURSHID AHMED KHAN	485	71	-	556	71	556
18	SAQIB AYAZ, HOUSE F 731 SETLITTE TOWN 26, RAWALPINDI	SAQIB AYAZ	37405-6676688-9	SHEIKH MUHAMMAD AYAZ	485	71	-	556	71	556
19	ANJUM MUSHTAQ, FLAT 4 2ND FLOOR 31 C LAIN 15 EXTENSION 2 DHA, KARACHI	ANJUM MUSHTAQ	42201-6809625-5	MUSHTAQ AHMED	461	68	-	529	68	529

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total		
		Name	NIC No.		Principal	Accrued Mark-up	Others				Total	
20	ASGHAR ALI HOUSE 102 SUPER MEHAL APARTMENT HASRA MOHANI ROAD, KARACHI	ASGHAR ALI	42301-1039243-9	FAZAL HUSSAIN	454	57	-	511	454	57	-	511
21	MUHAMMAD KHALID, HOUSE NO. 9 STREET NO. 3 MUHALLAH SHAHEEN PARK LAL PULL MUGHAL PURA 5, LAHORE	MUHAMMAD KHALID	35201-0610345-7	MUHAMMAD SHAFI	450	59	-	509	450	59	-	509
22	SYED USMAN ALI HOUSE 1063 3RD FLOOR IMRAN STREET 4 FEROZ PURA RAVI ROAD, LAHORE	SYED USMAN ALI	35202-2558375-7	MUHAMMAD IQBAL	436	64	-	500	436	64	-	500
23	AHSAN RAZA, HOUSE 4 UPPER PORTION MAIN SUJGAS ROAD ALLAMA IQBAL COLONY SHAHIDRA 5, LAHORE	AHSAN RAZA	35403-6861581-1	SIRAJ DEEN	522	48	-	570	522	48	-	570
24	MUHAMMAD JAVED HOUSE 222 STREET 1, ILANI PURA SARAPA BAZAR SATTIANA ROAD, FAISALABAD	MUHAMMAD JAVED	33100-6605683-1	MUHAMMAD AMIN	558	52	-	610	558	52	-	610
25	ABDUL SATTAR ANJUM, STREET NO. 5 MUHAMMAD ALI PARK PINDI DASS ROAD SHAHDARA, LAHORE	ABDUL SATTAR ANJUM	35202-3014209-5	FAQEER MUHAMMAD	519	44	-	563	519	44	-	563
26	MUHAMMAD ALI SHAHID, HOUSE 25 UMER STREET SUNNY PARK SAEED KARYANA STORE MUGHAL PURA, LAHORE	MUHAMMAD ALI SHAHID	35201-9890700-5	SHAHID HAMEED AMJAD	471	39	-	510	471	39	-	510
27	ABDUL WAHID, BISMILLAH PARK STREET NO 5 IQBAL SHAHEED COLONY, FAISALABAD	ABDUL WAHID	33100-4986843-5	MUHAMMAD SADIQ	486	40	-	526	486	40	-	526
28	A TEEQ UR REHMAN, HOUSE NO. F-36, HILL TOWN BANGLOWS BLOCK - 3 GULISTAN-E-JOHAR, KARACHI	A TEEQ UR REHMAN	42201-4190649-7	ABDUL GANI	622	52	-	674	622	52	-	674
29	IMTIAZ AJMAL, HOUSE 176 BLOCK 1 1ST FLOOR SECTOR B II TOWN SHIP 5, LAHORE	IMTIAZ AJMAL	31302-0413236-9	ATTA ULLAH KHAN	531	45	-	576	531	45	-	576
30	NADDEEM SULTAN, HOUSE E-141/28 STREET 5 FIRDUS PARK GHAZI ROAD 5, LAHORE	NADEEM SULTAN	35201-4794109-9	ALLAH DITTA	500	42	-	542	500	42	-	542
31	MUHAMMAD WAQAS KHURSHIED, HOUSE 389 B PAK BLOCK ALLAMA IQBAL TOWN 5, LAHORE	MUHAMMAD WAQAS KHURSHIED	33303-6105238-3	MUHAMMAD KHURSHIED AKHTAR	641	53	-	694	641	53	-	694
32	TANVEER IQBAL, HOUSE 374 STREET 3-A NASEERABAD KOHINOOR MILLS PESHAWAR ROAD, RAWALPINDI	TANVEER IQBAL	37405-1726448-3	GHULAM SARWAR	780	72	-	852	780	72	-	852
33	AMAN SADIQ, FLAT NO. 07 RIFFLE RANGE KORAY STOP WALTON ROAD, LAHORE	AMAN SADIQ	35201-8802503-7	SADIQ NAWAB	569	53	-	622	569	53	-	622
34	TAUFEEQ AHMED, HOUSE NO. 35/8 TIPU SULTAN COLONY HASSAN PERWANA, MULTAN	TAUFEEQ AHMED	36302-8075018-1	MOHAMMAD RAFIQUE	709	60	-	769	709	60	-	769
35	MUHAMMAD FERROZ HOUSE NO. 148 BLOCK NO. 7/A JINNAH COPRATIVE HOUSING SOCIETY HILL PARK, KARACHI	MUHAMMAD FERROZ	42201-4266001-1	HAJI QASIM	604	44	-	648	604	44	-	648
36	AZEEM KHAN, HOUSE NO. 27/B-1 STREET NO. 1 BLOCK Z SCHEME NO. 2 NEAR TELENOR TOWER, LAHORE	AZEEM KHAN	35202-2526802-3	ATTA UR REHMAN KHAN	663	54	-	717	663	54	-	717
37	MUDASSAR ABDULLAH, HOUSE 443 KOCHA HAJI PIR INSIDE YAKI GATE 5, LAHORE	MUDASSAR ABDULLAH	35202-25565648-7	MUHAMMAD ABDULLAH	616	49	-	665	616	49	-	665

**Statement showing written-off loans or any other financial relief of  
five hundred thousand rupees or above provided  
during the year ended December 31, 2009**

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others					Total
					Principal	Mark-up	Others					Total
38	MUHAMMAD JAFAR, F-7 STREET 3 BLOCK X MAINDA TOWN, FAISALABAD	MUHAMMAD JAFAR	33100-7571386-9	MUHAMMAD ISHAQ	450	59	450	59	-	509		
39	KASHIF PERVEZ, E 112/2 NEW SUPER TOWN 5, LAHORE	KASHIF PERVEZ	35201-5113920-9	PERVEZ AKHTAR CHOUDHRY	552	69	552	69	-	621		
40	MOHAMMAD INAM, HOUSE 260 BUKHARI COLONY, MANGHOPIR ROAD 34, KARACHI	MOHAMMAD INAM	42401-1935916-9	MOHAMMAD AFZAL HUSSAIN	541	67	541	67	-	608		
41	AFTAB AHMAD, HOUSE 4 STREET 4 ASLAM PARK SHAHDRRA TOWN, LAHORE	AFTAB AHMAD	35202-0827638-7	ABDUL REHMAN	517	64	517	64	-	581		
42	LIAQUAT HUSSAIN, HOUSE NO. A32 UMER FAPOOQ TOWN KALA PUL NEAR NAVEL HEIGHTS, KARACHI	LIAQUAT HUSSAIN	42301-6142963-9	MUHAMMAD YOUNAS	481	82	481	82	-	563		
43	SHABANA KHAWAJA MUHAMMAD, FLAT 804 BLOCK J RIFIL LAKE DRIVE BLOCK 18 GULISTAN-E-JOHAR 34, KARACHI	SHABANA KHAWAJA MUHAMMAD	42201-3319748-4	KHAWAJA MUHAMMAD	477	81	477	81	-	558		
44	SYED SHAFQAT ALI QADRI, FLAT B-105 HARPOON HEAVEN BLOCK A SECTOR 15 A1 BUFFER ZONE, KARACHI	SYED SHAFQAT ALI QADRI	42101-1942367-9	SYED HAFIZ HASHMAT ALI QADRI	472	41	472	41	-	513		
45	ABDUL KHALIQ, R 500 SECTOR 8 NORTH KARACHI 34, KARACHI	ABDUL KHALIQ	42101-6839038-5	ABDUL WAHAB KHAN	472	70	472	70	-	542		
46	CHAUDHRY ASIF NAWAZ, HOUSE 81/4 STREET 1 CHAMPIONS COLONY GULZARE-QUAID, RAWALPINDI	CHAUDHRY ASIF NAWAZ	37405-0369141-1	MUHAMMAD ASLAM	468	80	468	80	-	548		
47	SYED TASNIEEM HUSSAIN ZAIDI, HOUSE NO. R 1006 BLOCK NO. 20 FEDERAL B AREA SUHRAAB GOTH 34, KARACHI	SYED TASNIEEM HUSSAIN ZAIDI	42101-1855151-7	SYED MUZZAHIR HUSSAIN ZAIDI	468	80	468	80	-	548		
48	ALI SHAYAN, FLAT NO. 4 1ST FLOOR SOBRAJ YELLOW HOUSE I.I. CHUNDRIGAR ROAD, KARACHI	ALI SHAYAN	42201-4397279-9	MOHAMMAD SARFARAZ	463	80	463	80	-	543		
49	MUHAMMAD RIZWAN SARWAR, 89 BLOCK NO. C GULSHAN-E-RAVI, LAHORE	MUHAMMAD RIZWAN SARWAR	35202-8288688-7	MUHAMMAD SARWAR	440	66	440	66	-	506		
50	MUHAMMAD YOUSAF BAJWA, SINDH CHOWK 3 KILOMETER CHUNGI STOP SINDHU CHOWK KAWAHAN DAKHANA LINK FERROZPUR ROAD LAHORE CANTT KHANS, LAHORE	MUHAMMAD YOUSAF BAJWA	35201-0148958-1	MUHAMMAD YASIN BAJWA	438	64	438	64	-	502		
51	GHULAM NABI, HOUSE NO. P-974 CHAK NO. 203 RB MANA WALA, FAISALABAD	GHULAM NABI	33100-0661458-7	JAN MUHAMMAD	560	50	560	50	-	610		
52	MUHAMMAD AMIR, HOUSE NO. 2, STREET NO. 8A, SHALIMAR LINK ROAD SOHUWARI MUGHAL PURA, LAHORE	MUHAMMAD AMIR	35201-2926934-7	MUHAMMAD AL TAF	468	39	468	39	-	507		
53	MUHAMMAD ADREES, PUB STREET NO. 1 BAZAR NO. 2 MUHAMMAD PURA, FAISALABAD	MUHAMMAD ADREES	33100-7528667-3	MUHAMMAD SHAREEF	651	54	651	54	-	705		
54	MUHAMMAD SHAHID AKHTAR, Z-202 SARA APARTMENT GULZARE-HIJRI, KARACHI	MUHAMMAD SHAHID AKHTAR	42301-7858788-3	ABDUL KHALIQ	557	41	557	41	-	598		
55	ARIF ISMAIL, HOUSE NO. 01 D II GULSHAN RAVI 5, LAHORE	ARIF ISMAIL	35202-2487168-7	SH MUHAMMAD ISMAIL	472	38	472	38	-	510		
56	MUHAMMAD BASIT SALEEM, HOUSE NO. 46/F, STREET NO. 3 MUJHALLA JINNAH PARK KOT SHABOIN SHADRA, LAHORE	MUHAMMAD BASIT SALEEM	35202-1786054-7	MUHAMMAD ANAYAT ULLAH	642	48	642	48	-	690		

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## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Principal written off	Interest Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others	Total				
57	HAFIZ MUHAMMAD AHSAN IQBAL, HOUSE NO. 316 E GULSHAN NAVI, LAHORE	HAFIZ MUHAMMAD AHSAN IQBAL	35202-6817781-1	SHEIKH MUHAMMAD IQBAL	614	45	-	659	614	45	-	659
58	IMRAN KHALIL, FLAT NO. 207 2ND FLOOR, AFRSHIA HEIGHTS F.B. AREA, KARACHI	IMRAN KHALIL	42101-4639491-3	KHALIL AHMED	482	70	-	552	482	70	-	552
59	SHEIKH SAJID HUSSAIN, HOUSE NO. NW-712 SAID PUR ROAD, RAWALPINDI	SHEIKH SAJID HUSSAIN	34104-2331782-3	SHEIKH ASSHAD HUSSAIN	508	62	-	570	508	62	-	570
60	NAVEED AHMAD, HOUSE P-1029-C/1 A, MUHALLAH DIGREE COLLEGE ASGHAR MALL ROAD, RAWALPINDI	NAVEED AHMAD	37405-1218023-7	ABDUL MAJEED	688	100	-	788	688	100	-	788
61	TANZEEM AKHTER, R 57 SECTOR 14 A SHADMAN NORTH NAZIMABAD TOWN, KARACHI	TANZEEM AKHTER	42000-0146089-1	MUHAMMAD BASHIR	472	41	-	513	472	41	-	513
62	JAVED IQBAL, HOUSE NO. 1343 SHARIF CHOWK D TYPE COLONY, FAISALABAD	JAVED IQBAL	33100-0120287-3	MIAN MANZOOR HUSSAIN	470	69	-	539	470	69	-	539
63	MUHAMMAD RAMZAN, HOUSE 180 STREET 3 RABAN COLONY 2, FAISALABAD	MUHAMMAD RAMZAN	33100-2564082-5	MUHAMMAD ASHRAF	468	68	-	536	468	68	-	536
64	REHAN AHMED KHAN, HOUSE A 730/12 F.B. AREA, KARACHI	REHAN AHMED KHAN	42301-9153803-9	EJAZ HUSSAIN	471	35	-	506	471	35	-	506
65	AGHA ZUBAIR, E-6-1 COUNTRY CLUB APARTMENT 33 STREET PHASE NO. V EXT DHA 34, KARACHI	AGHA ZUBAIR	42301-7669562-7	AGHA FAQUIR MUHAMMAD	454	66	-	520	454	66	-	520
66	RANA SHAHID AMIN, HOUSE NO. 3 BLOCK B, BAHIC WAI, COLONY ABC ROAD, FAISALABAD	RANA SHAHID AMIN	33100-1137499-1	RANA MUHAMMAD AMIN	445	58	-	503	445	58	-	503
67	SYED SHAH NAWAZ AHMED, HOUSE C-78/1 BLOCK J, NORTH NAZIMABAD, KARACHI	SYED SHAH NAWAZ AHMED	42101-9335201-5	SYED NASEER AHMED	596	87	-	683	596	87	-	683
68	MUBASHIR JAWAD CHAUDHRY, HOUSE NO. 6/10-A/2 STREET NO. 1, HOUSE MOHALLA GULISTAN COLONY, RAWALPINDI	MUBASHIR JAWAD CHAUDHRY	61101-9488846-9	MUHAMMAD SADIQ ZIA	509	45	-	554	509	45	-	554
69	MALIK MUHAMMAD SHAHBAZ, HOUSE W/22 UMER STREET, REHMAN PARK BHULA CHOWK JOHAR TOWN, LAHORE	MALIK MUHAMMAD SHAHBAZ	35201-9251148-5	MALIK MUHAMMAD NAWAZ	487	63	-	550	487	63	-	550
70	SAEED AHMED, HOUSE NO. 257 PHASE I, GULSHAN-E-HADEED, KARACHI	SAEED AHMED	42501-9143732-5	GHULAMI MUSTAFA	569	42	-	611	569	42	-	611
71	MUHAMMAD TANVEER, HOUSE NO. E-18/25, QURESHI CHOWK, HASHMANI MOHALLAH, 41, HYDERABAD	MUHAMMAD TANVEER	41303-8079330-5	ANWAR UL HAQ	520	45	-	565	520	45	-	565
72	MUHAMMAD AMIN, HOUSE NO. P-3 ST, NO. 03 NAIMATABAD JHANG ROAD, FAISALABAD	MUHAMMAD AMIN	33301-8963979-5	FAQEER MUHAMMAD	596	49	-	645	596	49	-	645
73	NADEEM AHMED BUTT, HOUSE NO. 486 BLOCK NO. 02 SECTOR D II TONSHI 5, LAHORE	NADEEM AHMED BUTT	35202-3817231-9	REHMAT ALI	537	49	-	586	537	49	-	586
74	MUHAMMAD JAMAL, HOUSE B-215 BLOCK 10, GULSHAN-E-IQBAL 34, KARACHI	MUHAMMAD JAMAL	42201-6545062-3	LATIF UR REHMAN	388	296	-	684	388	296	-	684

**Statement showing written-off loans or any other financial relief of  
five hundred thousand rupees or above provided  
during the year ended December 31, 2009**

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name			Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.	Name	Name	Principal	Accrued Mark-up	Others	Total			
						written off	written off					
75	ABDUL KARIM, HOUSE PLOT C 23 1ST FLOOR KHAIBAN-E-BOKHARI PHASE 6 COMMERCIAL STREET 30 LANE NO. 3 DHA 34, KARACHI	ABDUL KARIM	42301-1769483-5	GOHAR REHMAN	444	65	-	509	444	65	-	509
76	MUHAMMAD OWAIS, HOUSE R 739 SECTOR 09 NORTH KARACHI, KARACHI	MUHAMMAD OWAIS	42101-7500560-9	MUHAMMAD ANWER KHAN	454	66	-	520	454	66	-	520
77	SHAHID HABIB AHMED, HOUSE NO 2365/1 HASSAN PURA CHOWK SHAH ABBAS VEHARI ROAD, MULTAN	SHAHID HABIB AHMED	36302-0504749-7	MALIK HUSSAIN AHMED	454	66	-	520	454	66	-	520
78	SYED SOHAIL ASGHER, HOUSE NO. 318 AI TOWN SHIP, LAHORE	SYED SOHAIL ASGHER	35202-8772369-9	HAJI ASGHER ALI SYED	477	59	-	536	477	59	-	536
79	TANVEER NABI, HOUSE NO. 215 G BLOCK MODEL TOWN, LAHORE	TANVEER NABI	35202-2498762-5	GHULAM NABI	484	60	-	544	484	60	-	544
80	RAJA HUMAYUN IQBAL, HOUSE NO. 542 B 100, ASAD ABAD SHER ZAMAN COLONY LALAZAR, RAWALPINDI	RAJA HUMAYUN IQBAL	37405-2879955-5	AURANGZEB	463	68	-	531	463	68	-	531
81	MUHAMMAD NASIR, HOUSE NO. 58 75 SHAH FAISAL COLONY, KARACHI	MUHAMMAD NASIR	42201-0369476-3	MUHAMMAD YOUSUF	454	56	-	510	454	56	-	510
82	MAZHAR NAZAR AWAIS, HOUSE NO. 7, STREET NO. 1 SHAH TOWN RAWIND ROAD THOKAR NIAZ BANG, LAHORE	MAZHAR NAZAR AWAIS	34601-2212046-5	NAZAR MUHAMMAD GONDAL	495	37	-	532	495	37	-	532
83	MUHAMMAD QASIM, MOHALLAH JANNAZ CHAH MAIN BAZAR HAREANS PURA 5, LAHORE	MUHAMMAD QASIM	35201-5482340-3	ABDUL RAZZAQ	581	46	-	627	581	46	-	627
84	MUHAMMAD JAVED, HOUSE NO. 139-A LIAQAT TOWN P.O AYUB RESEARCH, FAISALABAD	MUHAMMAD JAVED	33100-0964491-3	MUHAMMAD ASHRAF	626	51	-	677	626	51	-	677
85	MUMTAZ AHMED, HOUSE NO. M I/E 137 SHAN AZARBAD HOUSE STREET NO. 39 MOHAMMADI ROAD SHERSHAH 34, KARACHI	MUMTAZ AHMED	35301-8071922-1	MANZOOR HUSSAIN	501	42	-	543	501	42	-	543
86	HABIB QURESHI, HOUSE NO. D2-26 SAOODABAD MALIR, KARACHI	HABIB QURESHI	42501-9945379-7	MUHAMMAD AQIL QURESHI	545	40	-	585	545	40	-	585
87	MUHAMMAD SHAHID, STREET NO. 2 MIO COLONY MASOOM SHAH ROAD, MULTAN	MUHAMMAD SHAHID	36302-6951108-7	MUHAMMAD RAMZAN	533	49	-	582	533	49	-	582
88	ABDUL RAUF, HOUSE NO. 593 PIB COLONY, KARACHI	ABDUL RAUF	42201-3672290-9	ABDUL QAYUM	454	66	-	520	454	66	-	520
89	MUHAMMAD ABDUL NASIR, T. 3381 SHAD BAGH COLONY OUTSIDE YAKATOOT, PESHAWAR	MUHAMMAD ABDUL NASIR	17301-1641644-1	MUHAMMAD SHAFIQ	474	65	-	539	474	65	-	539
90	CHODRY UMER RIASAT, 25-A BLOCK NO. 2 GULSHAN-E-IQBAL 34, KARACHI	CHODRY UMER RIASAT	42201-0597206-1	CHUDRY RIYAST ALI	490	82	-	572	490	82	-	572
91	MALIK TARIQ NADEEM, HOUSE NO. 27 STREET NO. 15 FASHEED STREET SAADI PARK MOZANG 5, LAHORE	MALIK TARIQ NADEEM	35202-9737183-7	MALIK SHAH DIN	695	116	-	811	695	116	-	811
92	SALMAN, FLAT NO. 3 FIRST FLOOR HASSAN APARTMENT MISHALMALI ROAD, KARACHI	SALMAN	42301-3048805-9	AURANGZAB	474	74	-	548	474	74	-	548

(Rupees '000')

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S.No.	Name & Address of borrower	Name of individual / partners / directors		NIC No.	Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.			Principal	Accrued Mark-up	Others					Total
								Others	Total				
93	SHAH DIN BHATTI, HOUSE NO. 3 STREET 34, AKRAM PARK DOBLE GHAI, BAGHIAN PURA, LAHORE	SHAH DIN BHATTI	35201-0248305-5		MERAJ DIN	740	124	-	-	864	124	-	864
94	RAJA ZAFFAR MEHMOOD, HOUSE NO. 62-E/1 STREET NO. 7-B GULISTAN COLONY, RAWALPINDI	RAJA ZAFFAR MEHMOOD	37405-5442968-3		RAJA ABDUL JABBAR	533	66	-	-	599	66	-	599
95	FAYYAZ AHMED ABBASI, HOUSE NO. 10, UPPER PORTION, MODEL DOUBLE ROAD T 11/2, ISLAMABAD	FAYYAZ AHMED ABBASI	61101-8210927-3		HAJI MUHAMMAD RIAZ	531	66	-	-	597	66	-	597
96	MOHAMMAD RAFIQ, HOUSE NO. 159-V BLOCK 6 P.E.C.H.S., KARACHI	MOHAMMAD RAFIQ	42201-9133183-9		SHAIKH ALLAH DITA	449	65	-	-	514	65	-	514
97	NAUSHAD ALAM, PLOT 37, 20TH FLOOR, BLOCK H, F-7/2, SHAH JAHAN ROAD, NORTH NAZIMABAD 34, KARACHI	NAUSHAD ALAM	42101-6812966-5		ABDUL REHMAN	465	80	-	-	545	80	-	545
98	MIAN MUHAMMAD AKRAM, HOUSE NO. E 27/13 A STREET NO. 8, MOHALLA GHOSIA COLONY, WALTON ROAD CANTT 5, LAHORE	MIAN MUHAMMAD AKRAM	35201-7364779-3		AHMED ALI	591	46	-	-	637	46	-	637
99	IMRAN ALI, HOUSE NO. H-467, SADAAT COLONY, SHAFI FANSAI COLONY, KARACHI	IMRAN ALI	42201-0456113-7		SYED NOOR MOHAMMAD	757	71	-	-	828	71	-	828
100	GUL ZAMAN KHAN, HOUSE NO. 33 STREET NO 6 BLOCK Y, NEW MULTAN COLONY, MULTAN	GUL ZAMAN KHAN	36302-9820738-7		MUHAMMAD NIAZ KHAN	519	48	-	-	567	48	-	567
101	MUHAMMAD TAYYAB, HOUSE NO. 6, STREET CHUNGI NO. 6, BOSAN ROAD GULOUSHTI COLONY, MULTAN	MUHAMMAD TAYYAB	36302-8580570-7		MUHAMMAD ASHRAF	641	53	-	-	694	53	-	694
102	ZEEESHAN AKRAM, HOUSE NO. R-544 SECTOR 14-A, SHADMAN TOWN NORTH KARACHI, KARACHI	ZEEESHAN AKRAM	42101-2554607-1		MOHAMMAD AKRAM	747	63	-	-	810	63	-	810
103	SHAAFI MEHMOOD, HOUSE NO. 155-B, FANSAI TOWN, LAHORE	SHAAFI MEHMOOD	35202-9426847-1		ABDUL RUB SAJID	688	60	-	-	748	60	-	748
104	TANVEER ALI, HOUSE E-2568 STREET 3-G PIR COLONY, WALTON ROAD CANTT, LAHORE	TANVEER ALI	35201-1597465-7		ANAYAT ALI	697	64	-	-	761	64	-	761
105	MUHAMMAD KHALID, HOUSE 489, 4TH STREET 8, STATION COLONY SURAJ MIANI ROAD, MULTAN	MUHAMMAD KHALID	36603-6285593-5		HAKIM ALI	550	51	-	-	601	51	-	601
106	MUHAMMAD IQBAL, FLAT 5 PLOT 9/9 STREET 3, DEHLI COLONY 3, KARACHI	MUHAMMAD IQBAL	42301-9722274-3		MUHAMMAD MUSTAQEEM	500	62	-	-	562	62	-	562
107	MUHAMMAD UMER FAROOQ, 46 STREET 15, MILL ROAD, ISLAM GUNJI TEZAB MILL ROAD 36, FAISALABAD	MUHAMMAD UMER FAROOQ	33100-5060935-3		CHUHADARY MUHAMMAD IBRAHIM	454	66	-	-	520	66	-	520
108	AHSAN UL HAQ, HOUSE NO. 411 STREET NO. 11 TARIQBAD, FAISALABAD	AHSAN UL HAQ	33100-1553552-3		BASHIR AHMAD	577	71	-	-	648	71	-	648
109	USMAN MAHMOOD, HOUSE NO. 73 - 2 A BLOCK MODEL TOWN, LAHORE	USMAN MAHMOOD	35202-2337773-9		MAHMOOD AHMED	497	83	-	-	580	83	-	580

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		Name	NIC No.		Principal	Accrued Mark-up	Others	Total				
110	ASGHAR BAIG, HOUSE NO. 29/11 STREET NO. 6 NIZAM ABAD KOTI KHAWAJA SAEED 5, LAHORE	ASGHAR BAIG	35202-5324352-3	AKRAM BAIG	715	116	-	831	715	116	-	831
111	BILAL AHMAD KHOKHAR, PESHAWARIAN STREET HOUSE NO. 912-D MOHALLAH SUITER MANDI ANDROON LOHARI GATE, LAHORE	BILAL AHMAD KHOKHAR	35202-1065191-1	ZAMEER AHMAD	832	407	-	1,239	832	407	-	1,239
112	DAVID WILLIAM MOURE, HOUSE 178, 20 GHOSHIA COLONY WALTON ROAD, LAHORE	DAVID WILLIAM MOURE	35202-2429078-3	TOMS WILLIAM	460	49	-	509	460	49	-	509
113	MUHAMMAD NADEEM SABIR, HOUSE NO. P-149-A SCHEME NO. 212-111 DUKOT ROAD SIR SYED TOWN, FAISALABAD	MUHAMMAD NADEEM SABIR	33100-2533425-1	SABIR ALI	742	68	-	810	742	68	-	810
114	ZAFAR SHAH, FLAT NO. 101 FLOOR THE MALL PLAZA SADDAR NEAR GPO, ISLAMABAD	ZAFAR SHAH	11101-8863970-3	GULLI WALI SHAH	554	49	-	603	554	49	-	603
115	MALIK ABDUL GAFAR, HOUSE NO. 14, ST. NO. 3 GAZAFI ROAD MALIK PARK 5, LAHORE	MALIK ABDUL GAFAR	35202-6965761-5	MALIK MUHAMMAD ALI	545	40	-	585	545	40	-	585
116	ABDUL GHAFAR, FLAT NO. 201 FANCY HEIGHTS BLOCK B, SCHEME 33 GULZAR-E-HIURI 34, KARACHI	ABDUL GHAFAR	42501-7833716-3	NOOR MUHAMMAD SHEIKH	660	61	-	721	660	61	-	721
117	KHURRAM BHATTI, HOUSE NO. C-482 2ND FLOOR OPP MOHAMMADI GENERAL STORE WALI GALI MEHMOODABAD NO. 2, KARACHI	KHURRAM BHATTI	42301-8849740-3	YAOOOB BHATTI	526	49	-	575	526	49	-	575
118	TAHA BIN ABU TALHA, M-C 1441 AZEEM PORA GREENTOWN, KARACHI	TAHA BIN ABU TALHA	42201-0795202-9	ABU TALHA	607	49	-	656	607	49	-	656
119	WASEEM AHMED, HOUSE 7 STREET 8 QURESHI MUHALLAH MUZANG, LAHORE	WASEEM AHMED	35202-8395421-9	MUSHTAQ AHMED	552	48	-	600	552	48	-	600
120	REHMAN WAHEED, HOUSE NO. 2 STREET 1 ALI ST, CHA JAMUN WALA NEW SAMAN ABAD, LAHORE	REHMAN WAHEED	35202-2767399-5	MUHAMMAD WAHEED	509	37	-	546	509	37	-	546
121	KHALID MEHMOOD YAZDANI, HOUSE 410W 7-H GULLI BUNJARAN WALI I/S PAK GATE, MULTAN	KHALID MEHMOOD YAZDANI	36302-0703135-5	ZAFAR ALI ASIM	454	66	-	520	454	66	-	520
122	MUHAMMAD SAEED, P 738 STREET 2 MUGHAL PURA 1 CHOWK JAMILABAD SHEIKHUPRA ROAD, FAISALABAD	MUHAMMAD SAEED	33100-2925945-7	ABDUL RAUF	449	65	-	514	449	65	-	514
123	SYED MURTAZA ABBAS, FLAT NO. J-28, BHAYANI HEIGHTS BLOCK 4-A GULSHAN-E-IQBAL, KARACHI	SYED MURTAZA ABBAS	45203-3879063-1	SYED NAYAAB HUSSAIN	454	66	-	520	454	66	-	520
124	TARIQ ASHFAQ RAO, HOUSE 17 E/2 OFFICERS COLONY, MULTAN	TARIQ ASHFAQ RAO	36302-3330524-3	RAO ASHFAQ ALI KHAN	673	98	-	771	673	98	-	771
125	MUHAMMAD SABIR, 140 VILAYAT ABAD MANGOPUR ROAD, KAPACHI	MUHAMMAD SABIR	42401-4649747-1	EIDOO MASTER	1,291	216	-	1,507	1,291	216	-	1,507
126	MUHAMMAD ARIF, HOUSE NO. 255 STREET NO. 2 MAIN BAZAR SADDIQUE COLONY RAVI ROAD TIMBER MARKET, LAHORE	MUHAMMAD ARIF	35202-2585511-9	CHUDHARY AHMAD DIN	676	113	-	789	676	113	-	789

(Rupees '000')

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S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Total					
							Others	Total				
127	AZHAR FAREED MUGHAL, HOUSE 8 STREET 9 ABDUL ELLAHI ST. HABIB GUNJ, LAHORE	AZHAR FAREED MUGHAL	35202-7327444-3	NOOR MUHAMMAD MUGHAL	984	160	-	1,144	984	160	-	1,144
128	SHARIQ PASHA SHAMSI HOUSE NO. A-23 SHEET NO. 27 MODEL COLONY MALIR, KARACHI	SHARIQ PASHA SHAMSI	42101-1179594-3	MOHAMMAD ATIQ SHAMSI	980	163	-	1,143	980	163	-	1,143
129	ADNAN KHAN, HOUSE NO. 161/C COMMERCIAL AREA P.E.C.H.S. 34, KARACHI	ADNAN KHAN	41304-3544777-9	MUHAMMAD BASHEER	700	117	-	817	700	117	-	817
130	MUHAMMAD SHAKEEL, FLAT 671-672/5 2ND FLOOR HUSSAINABAD F.B. AREA ARCADE MADINA BUILDING, KARACHI	MUHAMMAD SHAKEEL	42101-0481083-7	MUHAMMAD SIDDIQUE	490	82	-	572	490	82	-	572
131	IMRAN WAHEED UDDIN SIDDIQUI, SS 2B MAIN SUNSET BOULEVARD PHASE 2 DHA, KARACHI	IMRAN WAHEED UDDIN SIDDIQUI	42301-8890584-9	WAHEED UDDIN SIDDIQUI	444	61	-	505	444	61	-	505
132	AURANG ZAIB, HOUSE NO. 1, STREET NO. 1 TAAL WALI GALI NEAR DOBI GHAT DARS BAREY, MAIN LINK ROAD MUGHAL PURA, LAHORE	AURANG ZAIB	35201-7373115-1	MALIK MUHAMMAD YASEEN	557	56	-	613	557	56	-	613
133	SYED MUDASIR ALI GOHAR, HOUSE 746 L BLOCK JOHAR TOWN, LAHORE	SYED MUDASIR ALI GOHAR	35202-9105898-7	SYED SIBTUL HASSAN	596	46	-	642	596	46	-	642
134	NASEEM SHAH, I/1219 KOOCHA CHABAK SAWANRANG MAHAL, LAHORE	NASEEM SHAH	17301-9804214-9	HASHIM KHAN	1,048	97	-	1,145	1,048	97	-	1,145
135	RAJA KHALID ZAMEER, 529 A TAJ PURA SCHEME LDA, LAHORE	RAJA KHALID ZAMEER	35200-1409576-5	RAJA MUHAMMAD ZAMEER KHAN	468	43	-	511	468	43	-	511
136	FOZIA KAUSAR, HOUSE NO. 883/F 2 JOHAR TOWN, LAHORE	FOZIA KAUSAR	35202-7406585-0	QASIM MIRAZ DIN	599	49	-	648	599	49	-	648
137	ABID HUSSAIN, HOUSE NO. 154/90, STREET NO. 2 NADRA/ABAD BALDIYAN ROAD CANTT, LAHORE	ABID HUSSAIN	35202-6427114-9	ABDUL HAMEED	587	48	-	635	587	48	-	635
138	MUHAMMAD WAHEED CHAUDHRY, 945-E SIDDIQUI STREET STREET 2 NADRA ABAD COLONY BEDIAN ROAD CANTT, LAHORE	MUHAMMAD WAHEED CHAUDHRY	37405-0657463-9	MUHAMMAD IBRAHIM CHAUDHRY	790	66	-	856	790	66	-	856
139	HASEEB UR REHMAN, 18-C, SHAH FAREED CHOWK, MULTAN ROAD, LAHORE	HASEEB UR REHMAN	35202-7393764-9	ATTA UR REHMAN	498	40	-	538	498	40	-	538
140	MUHAMMAD FURQAN, HOUSE NO. 968/9 STREET NO. 3 QADIR ABAD TAREEN ROAD, MULTAN	MUHAMMAD FURQAN	36302-9330946-3	ABDUL GABAR	726	61	-	787	726	61	-	787
141	AMIR WASEEM, HOUSE NO. 18 STREET NO. 2 D BLOCK U NEW MULTAN 13, MULTAN	AMIR WASEEM	36302-8031454-5	GHULAM MURSALEEN	1,006	84	-	1,090	1,006	84	-	1,090
142	RANA MUHAMMAD FAHEEM, HOUSE NO. 36 STREET JMOHALLAH NO. 7 BLOCK U NEW MULTAN P, MULTAN	RANA MUHAMMAD FAHEEM	36302-0356071-1	RANA MUHAMMAD SALEEM	479	40	-	519	479	40	-	519
143	TONY ALBERT CHAPPELL, B-29 REHMAN HEIGHTS RANDLE ROAD, KARACHI	TONY ALBERT CHAPPELL	42301-7798203-3	HENRY JAMES CHAPPELL	460	59	-	519	460	59	-	519
144	MUHAMMAD ZAFAR ULLAH, P 140 STREET 10 4 AHMED ABAD HASHMAT CHOWK, FAISALABAD	MUHAMMAD ZAFAR ULLAH	33100-7318037-7	SHER MUHAMMAD	936	137	-	1,073	936	137	-	1,073
145	MUHAMMAD LAIQUE, HOUSE NO. K 283 K AREA KORANGI NO. 5 NEAR IGBAL RESTURANT, KARACHI	MUHAMMAD LAIQUE	42201-5195322-7	MUHAMMAD AHMED	645	108	-	753	645	108	-	753



# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

(Rupees '000')

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others	Total			
146	MUHAMMAD FAROOQ, FLAT 606 BLOCK B 6TH FLOOR PLOT 77-78-GH SHAHNAWAZ GARDEN GASIM ROAD GARDEN WEST, KARACHI	MUHAMMAD FAROOQ	42201-7061810-3	ABDUL JABBAR	1,448	241	-	1,689	241	-	1,689
147	BINYAMEEN, HOUSE NO. 18 ST. NO. 12 ALMAS COLONY SIDDIQIA COLONY, INGOR ROAD BADAMI BAGH, LAHORE	BINYAMEEN	35202-0674578-5	MUHAMMAD SULEMAN	1,161	157	-	1,318	157	-	1,318
148	SHAHZAD KHOKHER, HOUSE NO. L-1950 INDUS ROAD NO. 3 LALKURTI, RAWALPINDI	SHAHZAD KHOKHER	37405-4162837-7	JAMES KHOKHER	464	78	-	542	78	-	542
149	NADEEM ABBAS, HOUSE 48 STREET 1 LALAZAR COLONY BAGHI PURA SHAD BAGH, LAHORE	NADEEM ABBAS	35202-9730087-1	SHAIKH NIAZ ALI	578	96	-	674	96	-	674
150	MUHAMMAD SALEEM JIWANI, AREEBA APARTMENT FLAT NO. 101 FIRST FLOOR BLOCK 3-E NAZIMABAD NO. 3, KARACHI	MUHAMMAD SALEEM JIWANI	42101-6294028-5	MUHAMMAD HAROON JIWANI	635	106	-	741	106	-	741
151	EJAZ AHMED, HOUSE 117 C 2ND FLOOR BLOCK 2 P.E.C.H.S., KARACHI	EJAZ AHMED	42201-0488303-1	MUHAMMAD AZAD	692	94	-	786	94	-	786
152	SYED TAHA HUSSAIN JAFFERY, FLAT NO P-001 IQRA COMPLEX GULISTANE-JOHAR BLOCK NO. 17 34, KARACHI	SYED TAHA HUSSAIN JAFFERY	42101-1372878-5	ALI ATHAR HUSSAIN JAFFERY	561	-	-	561	-	-	561
153	MEHR DASTGIR SPINNING MILLS LIMITED, SHAHEED YOUNAS DASTGIR ROAD, MILTAN CANIT.,	KHAWAJA MUHAMMAD YOUSAF KHAWAJA MUHAMMAD ABDULLAH KHAWAJA GHULAM DASTGIR KHAWAJA GHULAM DASTGIR KHAWAJA MUHAMMAD ABDULLAH HUSSAIN KHAWAJA MUHAMMAD ALI	36302-0458568-3 36302-3798833-7 36302-9270957-9 36302-7537877-7 36302-3953552-9	KHAWAJA GHULAM DASTGIR KHAWAJA GHULAM DASTGIR KHAWAJA GHULAM DASTGIR KHAWAJA MUHAMMAD ABDULLAH KHAWAJA MUHAMMAD YOUSAF	146,960	46,014	-	192,974	46,014	-	72,974
154	ART VISION, 6/D, NASEERUDIN ROAD, LAHORE	MR. MABOOD QURESHI	35202-2600141-9	MIRAJ DIN QURESHI	4	-	754	758	4	754	758
155	BALAJ TEXTILE MILLS (PRIVATE) LIMITED ROOM NO. 3, 3RD FLOOR, SHAHEEN ARCADE, NEW GARDEN TOWN, LAHORE	MIAN MUHAMMAD AKRAM MIAN IKRAM MAHMOOD MIAN JAWAD AKRAM	35202-2875590-9 35201-1406276-5 35202-8920585-5	MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD AKRAM	52,761	2,867	2,531	58,159	2,236	2,531	11,694
156	MINTHAR MOTORS MINTHAR WAREHOUSE, PRTS DEPOT, GHULAM MUHAMMAD ROAD, FAISALABAD & 41 GENERAL BUS STAND, FAISALABAD	MUHAMMAD YASIN NAZIR	33100-0638812-5	CHAUDHARY MUHAMMAD NAZIR AHMED	9,366	601	2,276	12,243	601	2,276	2,893
157	RECTO INDUSTRIES (PRIVATE) LTD., DASKA ROAD, SIALKOT	SHAHZAD KOUSER CHEEMA DANISH IMTIAZ CHEEMA HASSAN IMTIKHAH CHEEMA	34603-4526639-7 34603-2458612-5 35201-5950489-5	CH. M.K CHEEMA CH. IMTIAZ AHMED CHEEMA CH. IMTIKHAH CHEEMA	71,312	10,492	-	81,804	10,492	-	21,803
158	SYED BHASIS LIGHTING LIMITED 206, DEOZPUR ROAD, LAHORE	MR. ZAHEER AHMED KHAN MR. MANSOOR AHMED KHAN MR. MASROOR AHMED KHAN	35201-1330550-3 35201-1355003-5 35201-1355027-9	KHAN BHADUR BASHIR KHAJAN KHAN ZAHEER AHMED KHAN ZAHEER AHMED KHAN	69,771	6,947	58,656	135,374	6,947	58,656	100,489
159	MEKFRAN FISHERIES (PRIVATE) LTD, B-2/B-4, FISH HARBOUR, P.O. BOX NO. 6272, KARACHI 74000	AZHAFUL HAQ BUTT TASAWERUL HAQ BUTT TANVEER UL HAQ BUTT	42201-9205530-1 42301-7788543-5 42301-1608217-7	MUZAFAR DIN BUTT MUZAFAR DIN BUTT MUZAFAR DIN BUTT	21,454	5,241	32,797	59,492	5,241	32,797	47,001
160	HSAN YOUSUF TEXTILE MILLS HOUSE NO. 3, 3RD FLOOR, SHAHEEN ARCADE, NEW GARDEN TOWN, LAHORE	MIAN MUHAMMAD AKRAM MIAN IKRAM MAHMOOD MIAN JAWAD AKRAM	35202-2875590-9 35201-1406276-5 35202-8920585-5	MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD AKRAM	154,000	9,172	-	163,172	9,172	-	38,172

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

(Rupees '000')

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others	Total				
161	M. M. MALIK CO. OFF. 15-19 MARINE CENTER, BLK 2 CLIFTON, KHI	MALIK IMTAIZ AHMED	42301-3653584-5	MALIK MIAN MUHAMMAD	14,079	719	-	14,798	2,579	719	3,298	
162	N S TRADERS, 101, BARKAT PLAZA, SADDAR, RAWALPINDI	ABDUL NAJEEB	37405-2356179-7	ABDUL NAQEEB	14,999	1,964	-	16,963	-	1,562	1,562	
					642,636	94,574	97,014	834,224	208,576	93,541	97,014	399,131



Enabling success  
Realising dreams

Consolidated Financial Statements  
For the year ended December 31, 2009



## Auditors Report to the Members

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We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **NIB Bank Limited** ("the Bank") as at 31 December 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 24 branches, which have been audited by us.

These financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of NIB Bank Limited as at 31 December 2009 and present fairly, the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The consolidated financial statements of the Bank for the year ended 31 December 2008 were audited by another firm of chartered accountants whose report dated 7 March 2009, expressed a modified opinion thereon. The opinion on the consolidated financial statements for the year ended 31 December 2008 included an emphasis of matter paragraph regarding presence of significant inherent uncertainty in the assumptions underlying the value in use calculations of cash-generating units (CGUs) to which goodwill has been allocated for impairment testing as at 1 October 2008.

Date: 26 February 2010  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Amir Jamil Abbasi

**NIB Bank Limited**  
**Consolidated Balance Sheet**  
**As at December 31, 2009**

	Note	2009	2008
(Rupees '000')			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	8,834,275	9,357,450
Balances with other banks	9	3,684,684	868,019
Lendings to financial institutions	10	5,681,887	12,459,621
Investments	11	59,496,979	31,135,628
Advances	12	84,021,406	80,344,193
Operating fixed assets	13	3,135,850	3,707,620
Intangible assets	14	28,669,997	28,391,164
Deferred tax assets	15	6,411,185	6,533,228
Other assets	16	6,949,406	3,899,304
		206,885,669	176,696,227
<b>LIABILITIES</b>			
Bills payable	17	1,574,207	1,432,084
Borrowings	18	62,523,365	23,651,366
Deposits and other accounts	19	92,838,878	103,798,092
Sub-ordinated loans	20	3,997,600	3,999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	21	4,604,162	5,543,368
		165,538,212	138,424,110
<b>NET ASSETS</b>		<u>41,347,457</u>	<u>38,272,117</u>
<b>REPRESENTED BY :</b>			
Share capital	22	40,437,271	28,437,271
Share deposit money		-	12,000,000
Reserves		8,464,894	8,326,684
Accumulated loss		(7,081,729)	(8,382,793)
		41,820,436	40,381,162
Deficit on revaluation of assets - net	23	(472,979)	(2,109,045)
		<u>41,347,457</u>	<u>38,272,117</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	24		

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director

**NIB Bank Limited**  
**Consolidated Profit and Loss Account**  
**For the year ended December 31, 2009**

	Note	2009	2008
(Rupees '000')			
Mark-up / Return / Interest earned	25	18,278,640	15,246,632
Mark-up / Return / Interest expensed	26	12,775,801	10,754,066
Net Mark-up / Interest Income		<u>5,502,839</u>	<u>4,492,566</u>
Provision against non-performing loans and advances	12.5	524,505	8,833,641
Provision for diminution in the value of investments	11.13	575,705	329,697
Bad debts written off directly		67,398	14,372
		<u>1,167,608</u>	<u>9,177,710</u>
Net Mark-up / Interest income after provisions		4,335,231	(4,685,144)
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		953,462	1,002,657
Dividend income		182,327	187,646
Income from dealing in foreign currencies		72,166	440,499
Gain on sale of securities	27	573,126	194,310
Unrealized loss on revaluation of investments classified as held-for-trading		-	(149,010)
Other income	28	20,739	65,148
Total Non Mark-up / Interest income		<u>1,801,820</u>	<u>1,741,250</u>
		6,137,051	(2,943,894)
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	29	5,455,676	6,720,824
Other provisions / write offs		6,229	322,211
Other charges	30	(122,097)	325,271
Workers welfare fund		17,214	-
Impairment of goodwill		-	1,040,000
Impairment of other intangible assets		-	43,637
Total Non Mark-up / Interest expense		<u>5,357,022</u>	<u>8,451,943</u>
Share of profit / (loss) of associates	11.11.2	772,867	(1,613,049)
Extraordinary / Unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		<u>1,552,896</u>	<u>(13,008,886)</u>
Taxation - Current	31	126,765	98,981
- Prior years	31	15,958	(4,169)
- Deferred	31	(83,549)	(3,924,305)
		<u>59,174</u>	<u>(3,829,493)</u>
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>1,493,722</b>	<b>(9,179,393)</b>
Accumulated (loss) / profit brought forward		(8,382,793)	796,600
Transfer to statutory reserve		(138,210)	-
Right shares issue cost (net of tax)		(54,448)	-
ACCUMULATED LOSS CARRIED FORWARD		<u>(7,081,729)</u>	<u>(8,382,793)</u>
Basic / diluted earnings / (loss) per share (Rupees)		<u>0.37</u>	<u>(3.23)</u>

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director

**NIB Bank Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended December 31, 2009**

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
Profit / (Loss) after taxation for the year	1,493,722	(9,179,393)
<b>Other comprehensive income</b>	-	-
Total comprehensive income for the year	<u>1,493,722</u>	<u>(9,179,393)</u>

Surplus / deficit on revaluation of "Available -for-Sale" securities is presented under a separate head below equity as "Surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Joona**  
 Director

**Syed Aamir Zahidi**  
 Director

**NIB Bank Limited**  
**Consolidated Cash Flow Statement**  
**For the year ended December 31, 2009**

	2009	2008
	(Rupees '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	1,552,896	(13,008,886)
Dividend income	(182,327)	(187,646)
	<u>1,370,569</u>	<u>(13,196,532)</u>
<b>Adjustments for non-cash items</b>		
Depreciation	468,323	501,043
Amortization	308,062	298,075
Workers welfare fund	17,214	-
Gain on sale of securities	(573,126)	(194,310)
Gain on sale of property and equipment	(1,553)	(35,110)
Provision against non-performing loans and advances	524,505	8,833,641
Bad debts written off directly	67,398	14,372
Fixed assets written off	1,312	76,050
Intangibles written off	-	485
Impairment of intangible assets	-	43,637
Impairment of goodwill	-	1,040,000
Impairment of investment in associates	20,895	220,005
Unrealized loss on revaluation of investments classified as held-for-trading	-	149,010
Provision for diminution in the value of investments	575,705	329,697
Other provisions / write offs	6,229	322,211
Share of (profit) / loss of associates	(772,867)	1,613,049
	<u>642,097</u>	<u>13,211,855</u>
	2,012,666	15,323
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	6,777,734	(7,706,508)
Held-for-trading securities	90,402	59,675
Advances	(4,269,116)	(7,259,827)
Other assets (excluding advance taxation)	(2,348,986)	(112,030)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	142,123	(678,127)
Borrowings	38,871,999	6,981,954
Deposits and other accounts	(10,959,214)	(12,725,836)
Other liabilities (excluding current taxation)	(956,345)	540,931
	<u>29,361,263</u>	<u>(20,884,445)</u>
Income tax paid	(834,978)	(652,311)
<b>Net cash from / (used in) operating activities</b>	<u>28,526,285</u>	<u>(21,536,756)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in available-for-sale securities	(26,217,490)	7,274,552
Net Investments in held-to-maturity securities	(21,061)	(3,956,986)
Net Investments in associates	223,751	(45,000)
Dividend received	350,653	181,803
Payments for capital work in progress	(275,439)	(308,027)
Acquisition of property and equipment	(144,626)	(216,807)
Acquisition of intangible assets	(68,649)	(2,628)
Sale proceeds of property and equipment disposed off	5,507	204,286
<b>Net cash (used in) / from investing activities</b>	<u>(26,147,354)</u>	<u>3,131,193</u>



**NIB Bank Limited**  
**Consolidated Cash Flow Statement**  
**For the year ended December 31, 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>(Rupees '000')</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (payments) / receipts against sub-ordinated loans		(1,600)	3,999,200
Share deposit money		–	12,000,000
Dividend paid		(75)	(450)
Right shares issue cost		(83,766)	–
Payment of lease obligations		–	(7,176)
<b>Net cash (used in) / from financing activities</b>		<b>(85,441)</b>	<b>15,991,574</b>
Net increase / (decrease) in cash and cash equivalents		2,293,490	(2,413,989)
Cash and cash equivalents at the beginning of the year		10,225,469	12,639,458
Cash and cash equivalents at the end of the year	33	12,518,959	10,225,469

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director

**NIB Bank Limited**  
**Consolidated Statement of Changes in Equity**  
**For the year ended December 31, 2009**

	Reserves						Total
	Capital			Revenue			
	Share capital	Share deposit money	Share premium	Statutory reserve	General reserve	Accumulated profit / (loss)	
(Rupees '000')							
<b>Balance as at December 31, 2007</b>	22,017,968	-	639,744	74,594	5,472	796,600	23,534,378
<b>Total comprehensive income for the year</b>							
Loss after taxation for the year	-	-	-	-	-	(9,179,393)	(9,179,393)
<b>Transaction with owners, recorded directly in equity</b>							
Shares issued under scheme of amalgamation	6,419,303	-	7,606,874	-	-	-	14,026,177
Share deposit money	-	12,000,000	-	-	-	-	12,000,000
	6,419,303	12,000,000	7,606,874	-	-	-	26,026,177
<b>Balance as at December 31, 2008</b>	28,437,271	12,000,000	8,246,618	74,594	5,472	(8,382,793)	40,381,162
<b>Total comprehensive income for the year</b>							
Profit after taxation for the year	-	-	-	-	-	1,493,722	1,493,722
<b>Transaction with owners, recorded directly in equity</b>							
Issue of share capital	12,000,000	(12,000,000)	-	-	-	-	-
Right shares issue cost (net of tax)	-	-	-	-	-	(54,448)	(54,448)
	12,000,000	(12,000,000)	-	-	-	(54,448)	(54,448)
Transfer to statutory reserve	-	-	-	138,210	-	(138,210)	-
<b>Balance as at December 31, 2009</b>	40,437,271	-	8,246,618	212,804	5,472	(7,081,729)	41,820,436

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Khawaja Iqbal Hassan**  
 President / Chief Executive

**Francis A. Rozario**  
 Chairman / Director

**Asif Jooma**  
 Director

**Syed Aamir Zahidi**  
 Director

# NIB Bank Limited

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2009

#### 1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

##### Holding Company

NIB Bank Limited (the Bank)

The Bank is incorporated in Pakistan and its registered office is situated at Muhammadi House, I.I.Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 223 branches (2008: 244 branches). The Bank is a scheduled commercial bank and is principally engaged in the business of Banking as defined in the Banking Companies Ordinance, 1962.

The Bank is a subsidiary of Bugis Investments (Mauritius) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

##### Subsidiary Companies

The subsidiaries consolidated in these financial statements are as follows:

Subsidiary	Share holding	Date of acquisition	Nature of business	Listed / unlisted	Country of incorporation
PICIC Asset Management Company Limited	100%	June 30, 2007	Investment Advisory and Asset Management Services	Unlisted	Pakistan
PICIC Exchange Company (Private) Limited	100%	June 30, 2007	Dealing in Foreign Exchange	Unlisted	Pakistan

In 2007, the Bank acquired interest in PICIC Asset Management Company Limited (PICIC AMC) and PICIC Exchange Company (Private) Limited by virtue of acquisition and amalgamation of Pakistan Industrial Credit and Investment Corporation Limited (PICIC) and PICIC Commercial Bank Limited (PCBL) respectively.

The Board of Directors of PICIC Exchange Company (Private) Limited resolved at their meeting held on October 30, 2008 to wind up the Company. The Extraordinary General Meeting of the Company held on November 29, 2008 passed the resolution to wind up the Company and appointed its liquidator. The Company has been wound up as of June 30, 2009.

The Bank also acquired 95.89% interest in Financial and Management Services (Private) Limited by virtue of acquisition and amalgamation of PICIC.

#### 2. BASIS OF PRESENTATION

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

These consolidated financial statements have been presented in Pakistan Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 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) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by the SBP shall prevail.

**3.2** The 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 a notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for 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 requirements of various circulars issued by the SBP.

#### **3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010:

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in the profit and loss account and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Group's financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit and loss account. The application of the standard is not likely to have an effect on the Group's financial statements.
- IFRIC 15 – Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2010 financial statements. These amendments are unlikely to have an impact on the Group's financial statements.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRS requires attribution

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

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of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Group's financial statements.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Group's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after January 01, 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment may result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the Group's financial statements.
- Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on the Group's financial statements.

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

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain investments and commitments in respect of forward foreign exchange contracts that are stated at revalued amounts / fair values, staff retirement benefits (Gratuity) which are stated at present value and certain financial assets that are stated net of provisions.

#### **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 5.1 Investments

#### **Held-to-maturity securities**

As described in note 6.5, held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. The classification of these securities involves management judgment as to whether the financial assets are held-to-maturity investments.

#### **Held-for-trading securities**

Investments classified as held-for-trading are those which the Group has acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

#### **Available-for-sale securities**

Investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

### 5.2 Impairment

#### **Valuation and impairment of available-for-sale equity investments**

The Group determines that an available-for-sale equity investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

#### **Impairment of non financial assets (excluding deferred tax and goodwill)**

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets (excluding goodwill) is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

#### **Impairment of Goodwill**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs. 24,221 million (2008: Rs. 24,221 million).

### 5.3 Provision against non-performing advances

Apart from the provision determined on the basis of time based criteria given in the Prudential Regulations of the SBP, management also applies subjective criteria of classification and accordingly the classification of an advance may be downgraded on the basis of evaluation of the credit worthiness of the borrower, its cash flows, operations in its account and adequacy of security in order to ensure accurate measurement of the provision. For portfolio impairment provision on consumer advances, the Group follows the general provision requirements set out in the Prudential Regulations.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 5.4 Retirement Benefits

The key actuarial assumptions concerning the valuation of the defined benefit plan and the sources of estimation are disclosed in note 35.2 to these consolidated financial statements.

### 5.5 Useful life of property and equipment

Estimates of useful life of property and equipment are based on management's best estimate.

### 5.6 Income Taxes

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

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2008 (except for the change mentioned in note 6.1 below) and are enumerated as follows:

### 6.1 Changes in accounting policies

Effective January 01, 2009 the Group has changed its accounting policies in the following areas:

#### Determination and Presentation of Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There is no change in the operating segments being reported as a result of the adoption of IFRS 8 - Operating Segments, other than changes in certain disclosures.

#### Presentation of Financial Statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 01, 2009. As a result, all owner changes in equity are presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### 6.2 Business combinations

Business combinations are accounted for using the purchase method. Under this method, identified assets acquired, liabilities and contingent liabilities assumed are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

### 6.3 Revenue recognition

Mark-up / return on performing loans / advances and investments is recognized on time proportionate basis. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity using the effective interest rate method so as to produce

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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a constant rate of return. Interest or mark-up recovered on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP as amended from time to time.

The financing method is used in accounting for income on finance leases and hire purchase transactions. Under this method, the unearned income, i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is deferred and then amortized to income over the term of the lease on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

Rental income from assets given on operating lease is recognized on time proportionate basis over the lease period.

Gains / losses on termination of lease contracts, documentation charges and other lease income are recognized as income when they are realized.

Fee, commission and brokerage income is recognized at the time of performance of the service.

Dividend income is recorded when the right to receive the dividend is established.

### 6.4 Grants and assistance

In terms of Kreditanstalt für Wiederaufbau (KfW) loan re-lent by the Government of Pakistan (GoP), the Bank was required to bear interest at 11 percent per annum and pay interest to the GoP at 10 percent per annum and transfer the remaining 1 percent per annum margin to a counter part fund to be used by the Bank for financing feasibility surveys, market surveys and similar investigations destined for the preparation of projects.

### 6.5 Investments

Investments of the Group, other than investments in subsidiaries and associates are classified as held-to-maturity, held-for-trading and available-for-sale.

#### Held-to-maturity

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

#### Held-for-trading

These securities are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in the portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

#### Available-for-sale

These are securities which do not fall under the classification of held-for-trading or held-to-maturity securities.

#### Initial measurement

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held-for-trading, includes transaction costs associated with the investments.



# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### **Subsequent measurement**

#### **Held-to-maturity**

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

#### **Held-for-trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

#### **Available-for-sale**

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the balance sheet below equity and taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Provision for diminution in the value of securities (except term finance certificates) is made for impairment, if any.

Provision for diminution in the value of term finance certificates is made as per the aging criteria prescribed by the Prudential Regulations issued by the SBP.

#### **Investment in Associates**

Investments in associates are accounted for under the equity method.

Gain or loss on sale of investments is included in the profit and loss account for the year.

### **6.6 Lendings to / borrowings from financial institutions**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under agreement to resale (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. In the case of the continuous funding system, transactions are shown under advances. The difference between sale and repurchase price is treated as mark-up / return expensed whereas difference between purchase and resale price is treated as mark-up / return earned.

### **6.7 Advances**

Advances including continuous funding system and net investment in finance lease are stated net of provisions. Provisions comprise of:

#### **Specific provision**

The Group maintains specific provisions for doubtful debts at a level that can reasonably be anticipated, keeping in view the requirements of the Prudential Regulations issued by the SBP.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### **General provision**

The Bank maintains general provision at the rate of 5% against the unsecured consumer portfolio and at the rate of 1.5% against the secured consumer portfolio in accordance with the Prudential Regulations issued by the SBP.

Advances are written off when there is no realistic prospect of recovery.

### **Net investment in finance lease**

Leases include hire purchase where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset and are classified as finance leases. Net investment in finance lease is recognized at an amount equal to the aggregate of minimum lease payments and any guaranteed residual value less unearned finance income, if any.

## **6.8 Operating fixed assets**

### **Owned**

Property and equipment except freehold and leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold and leasehold land is stated at cost.

Depreciation is charged to income applying the straight line method over the estimated useful lives of the assets while taking into account any residual value, at the rates given in Note 13.2 to the consolidated financial statements. In respect of additions and deletions to assets during the year, depreciation is charged from the month of acquisition while depreciation on disposals during the year is charged upto the month of disposal.

Normal repairs and maintenance are charged to the profit and loss account for the year as and when incurred. Major repairs and improvements are capitalized and assets so replaced are retired.

Gains and losses on disposal of property and equipment if any, are taken to the profit and loss account for the year.

### **Assets held under finance lease**

Leasehold land is stated at cost.

Assets held under finance lease are stated at cost less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

Finance charges are allocated to accounting periods so as to provide a constant periodic rate of return on the outstanding liability.

### **Assets held under operating lease**

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any.

Repairs and maintenance are charged to the profit and loss account as and when incurred.

### **Capital work in progress**

These assets are stated at cost.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 6.9 Goodwill and other intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of the acquired entity. Goodwill is initially recognised as an asset at cost and is subsequently measured less any accumulated impairment loss. Impairment losses are charged to the profit and loss account.

Goodwill is allocated to each cash-generating unit (CGU) expected to benefit from the synergies of the acquisition. CGUs to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the carrying value of the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable for the sale of the CGU in an arm's length transaction between knowledgeable, willing parties. Value in use is the present value of expected future cash flows from the CGU. Impairment losses on goodwill are not reversed.

#### Other intangible assets

Other intangible assets are recognised separately from goodwill when they are specifically identifiable or arise from contractual or other legal rights, and their fair value can be measured reliably.

Intangible assets include the value of the brand, core deposit relationships, and core overdraft / working capital loan relationships and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to the profit and loss account on a straight line basis over the assets' useful lives which are determined using methods that best reflect the pattern of economic benefits. The estimated useful lives are as follows:

Brand	5 years
Core deposit relationships	11 years
Core overdraft / working capital loan relationships	11 years
Management rights	Indefinite life

Management rights were stated at cost less accumulated amortization and impairment losses, if any in PICIC AMC. Amortization was charged on straight line basis over a period of 10 years. The useful life of the management rights has been determined, post-acquisition, to be indefinite.

Computer software is stated at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is carried out on the straight line method at the rates given in Note 14 to the consolidated financial statements.

### 6.10 Sub-ordinated loans

Sub-ordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

### 6.11 Staff retirement benefits

#### Defined contribution plan

The Group operates a defined contribution provident fund for all its permanent employees. Equal monthly contributions are made to the fund by both the Group and the employees at the rate of 10% of basic salary.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### **Defined benefit plan**

The Bank operates an unfunded gratuity scheme covering all eligible employees who have attained the minimum qualifying period of five years. Eligible employees are those employees who have joined the service of the Bank on or before March 31, 2006. Provision is made in accordance with actuarial recommendations. Actuarial valuation is carried out periodically using the "Projected Unit Credit Method".

Actuarial gain / loss is recognized using the 10% corridor approach. Corridor is defined as the greater of 10% of the present value of defined benefit obligations and plan assets.

### **6.12 Taxation**

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

#### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation in accordance with the prevailing laws for taxation on income earned after taking into consideration tax credits and rebates available and any adjustments to tax payable in respect of previous years.

#### **Deferred**

Deferred tax is recognized using the balance sheet liability method on all major temporary differences as at the balance sheet date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the balance sheet date, that are expected to be applicable at the time of their reversal.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group recognizes a deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Group recognizes a deferred tax asset for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

### **6.13 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed quarterly and are adjusted to reflect the current best estimate.

### **6.14 Offsetting**

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

### **6.15 Dividend distribution**

Dividend is recognized as a liability in the period in which it is declared.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 6.16 Distributions of bonus shares and other appropriations to reserves

The Group recognizes all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares made after the balance sheet date, in the period in which such appropriations are approved.

### 6.17 Foreign currencies

Transactions in foreign currencies are translated to Rupees at the foreign exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. 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 approximating those prevailing at the balance sheet date.

Assets against which the constituents have exercised their option to transfer exchange risk to the Group and liabilities for which the Group has exercised its option to transfer exchange risk to the Government, are translated at the rates of exchange guaranteed by the Group and the Government, respectively.

Assets, liabilities, commitments and contingent liabilities in respect of Bangladesh are translated at foreign exchange rates approximating those prevailing prior to August 15, 1971.

Exchange gains and losses are included in income currently except net unrealized exchange gain on long-term monetary items which, as a matter of prudence, is carried forward as unrealized gain in view of the uncertainty associated with its realization.

### 6.18 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

### 6.19 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the balance sheet include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 6.20 Derivative financial instruments

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into and subsequently these instruments are marked to market and changes in fair values are taken to the profit and loss account. Fair values are obtained from quoted market prices in active markets.

### 6.21 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.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 6.21.1 Business Segments

#### **Corporate and Investment Banking**

It represents seasonal finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to corporate and commercial customers, along with advisory, underwriting and IPO related activities.

#### **Consumer and Small Enterprises**

It represents banking services offered to individual and small businesses through a retail branch banking and alternate distribution network. These banking services include lending, deposits and distribution of insurance products along with other financial products and services tailored for such customers.

#### **Small & Medium Enterprises and Commercial**

It represents all funded and non funded credit facilities, deposit products & transaction services offered by the Bank to Small & Medium Enterprises and Commercial businesses operating in the manufacturing, trade, wholesale and service sectors.

#### **Treasury**

Treasury manages the asset and liability mix of the Bank, and provides customers with products that meet their demands for management of liquidity, cash flow, interest rate fluctuations and foreign exchange risk.

### 6.21.2 Geographical segments

The Group operates in Pakistan only.

### 6.22 Assets acquired in satisfaction of claims

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

### 6.23 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportionate basis.

### 6.24 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

## 7. BASIS OF CONSOLIDATION

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment in subsidiaries held by the holding company is eliminated against the shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

Financial and Management Services (Private) Limited has not been consolidated as it is not material and this investment has been fully provided.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2009	2008
(Rupees '000')			
In hand			
Local currency	8.1	2,560,507	2,601,740
Foreign currencies		418,759	722,550
With State Bank of Pakistan in			
Local currency current accounts	8.2	3,638,671	3,590,000
Foreign currency current account	8.3	400,148	407,357
Foreign currency deposit accounts	8.4	1,233,705	1,324,101
With National Bank of Pakistan in local currency current accounts		582,485	711,702
		8,834,275	9,357,450

**8.1** These includes National Prize Bonds of Rs. 7.010 million (2008 : Rs. 4.255 million).

**8.2** The current account is maintained under the requirements of Section 22 of the Banking Companies Ordinance, 1962.

**8.3** This includes special cash reserve at nil return required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme.

**8.4** This represents special cash reserve of 15% required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme at nil return (2008: 0.90%) per annum.

### 9. BALANCES WITH OTHER BANKS

In Pakistan			
In current accounts		373,354	126,217
In deposit accounts		901	74,176
Outside Pakistan in current accounts	9.1	3,314,393	671,590
		3,688,648	871,983
Provision against doubtful balances		(3,964)	(3,964)
		3,684,684	868,019

**9.1** This includes amount held in automated investment plans. This balance is current by nature and on increase in the balance over a specified amount, interest is received from the correspondent banks at various rates.

### 10. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	10.2	725,000	1,285,000
Repurchase agreement lendings (Reverse Repo)	10.3 & 10.4	4,956,887	11,174,621
		5,681,887	12,459,621
<b>10.1 Particulars of Lendings</b>			
In local currency		5,681,887	12,459,621
In foreign currencies		-	-
		5,681,887	12,459,621

**10.2** These represent unsecured call money lendings to financial institutions carrying mark-up rates ranging from 12.10% to 13.50% (2008:15.00% to 20.00%) per annum and having maturities upto one week.

**10.3** These represent repurchase agreement lendings to financial institutions carrying mark-up rates ranging from 11.97% to 12.40% (2008: 10.00% to 17.00%) per annum and having maturities upto three months.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 10.4 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	(Rupees '000')					
Market Treasury Bills	2,154,092	1,961,844	4,115,936	4,227,975	1,959,286	6,187,261
Pakistan Investment Bonds	138,120	702,831	840,951	4,565,703	421,657	4,987,360
	<u>2,292,212</u>	<u>2,664,675</u>	<u>4,956,887</u>	<u>8,793,678</u>	<u>2,380,943</u>	<u>11,174,621</u>

10.4.1 The market value of securities held as collateral against lendings to financial institutions as at December 31, 2009 amounted to Rs. 4,964.548 million (2008: Rs. 11,046.366 million).

Note	2009			2008		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	(Rupees '000')					

### 11. INVESTMENTS

#### 11.1 (a) Investments by types:

<b>Held-for-trading securities</b>	11.6						
Units / Certificates of Mutual Funds		-	-	-	9,871	-	9,871
Ordinary shares / certificates in listed companies / modarabas		-	-	-	222,456	-	222,456
		-	-	-	232,327	-	232,327
<b>Available-for-sale securities</b>							
Market Treasury Bills	11.2	4,691,032	37,923,905	42,614,937	10,801,441	7,994,951	18,796,392
Pakistan Investment Bonds	11.2	2,698,926	832,385	3,531,311	2,166,786	930,330	3,097,116
GoP Ijara Sukuk Bonds		-	-	-	500,000	-	500,000
Defense Savings Certificates	11.3	5,771	2,730	8,501	5,771	2,650	8,421
Sukuk Bonds	11.4	205,304	-	205,304	-	-	-
Cumulative Preference Shares	11.5	50,000	-	50,000	100,000	-	100,000
Ordinary shares / Certificates in listed companies / modarabas	11.6	1,015,819	66,572	1,082,391	2,316,207	25,975	2,342,182
Ordinary shares of unlisted companies	11.7	66,217	-	66,217	64,280	-	64,280
Term Finance Certificates	11.8 & 11.9	4,424,427	-	4,424,427	852,900	-	852,900
Units / Certificates of mutual funds	11.10	430,765	-	430,765	310,067	-	310,067
		<u>13,588,261</u>	<u>38,825,592</u>	<u>52,413,853</u>	<u>17,117,452</u>	<u>8,953,906</u>	<u>26,071,358</u>
<b>Held-to-maturity securities</b>							
Pakistan Investment Bonds	11.2	4,652,033	-	4,652,033	4,616,193	-	4,616,193
Term Finance Certificates	11.8 & 11.9	123,323	-	123,323	138,102	-	138,102
		<u>4,775,356</u>	<u>-</u>	<u>4,775,356</u>	<u>4,754,295</u>	<u>-</u>	<u>4,754,295</u>
<b>Associates</b>	11.11	3,052,301	-	3,052,301	2,242,420	-	2,242,420
<b>Subsidiary</b>	11.12	724	-	724	724	-	724
<b>Total investments - Gross</b>		<u>21,416,642</u>	<u>38,825,592</u>	<u>60,242,234</u>	<u>24,347,218</u>	<u>8,953,906</u>	<u>33,301,124</u>
Provision for diminution in value of investments	11.13 & 11.14	(538,315)	(20,418)	(558,733)	(422,101)	-	(422,101)
<b>Investments - net of provisions</b>		<u>20,878,327</u>	<u>38,805,174</u>	<u>59,683,501</u>	<u>23,925,117</u>	<u>8,953,906</u>	<u>32,879,023</u>
Deficit on revaluation of held-for-trading securities	11.15	-	-	-	(150,973)	-	(150,973)
Deficit on revaluation of available-for-sale securities	23	(126,674)	(59,848)	(186,522)	(1,381,830)	(210,592)	(1,592,422)
<b>Net Investments</b>		<u>20,751,653</u>	<u>38,745,326</u>	<u>59,496,979</u>	<u>22,392,314</u>	<u>8,743,314</u>	<u>31,135,628</u>



## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

11.1 (b) Investments by segments:	Note	2009	2008
		(Rupees '000')	
<b>Federal Government Securities</b>			
Market Treasury Bills	11.2	42,614,937	18,796,392
Pakistan Investment Bonds	11.2	8,183,344	7,713,309
GoP Ijara Sukuk Bonds		–	500,000
Defense Savings Certificates	11.3	8,501	8,421
<b>Sukuk Bonds</b>	11.4	205,304	–
<b>Cumulative Preference Shares</b>	11.5	50,000	100,000
<b>Fully Paid-up Ordinary Shares &amp; Modaraba certificates</b>			
Listed	11.6	1,082,391	2,564,638
Unlisted	11.7	66,217	64,280
<b>Term Finance Certificates</b>			
Listed	11.8	1,553,191	784,305
Unlisted	11.9	2,994,559	206,697
<b>Units / Certificates of Mutual Funds</b>	11.10	430,765	319,938
<b>Associates</b>	11.11	3,052,301	2,242,420
<b>Subsidiary</b>	11.12	724	724
<b>Total investments - Gross</b>		60,242,234	33,301,124
Provision for diminution in value of investments	11.13 & 11.14	(558,733)	(422,101)
<b>Investments - net of provisions</b>		59,683,501	32,879,023
Deficit on revaluation of held-for-trading securities	11.15	–	(150,973)
Deficit on revaluation of available-for-sale securities	23	(186,522)	(1,592,422)
<b>Net Investments</b>		59,496,979	31,135,628

**11.2** Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yields ranging from 11.76% to 12.47% (2008: 9.95% to 14.02%) with remaining maturities of 3 to 12 months and Pakistan Investment Bonds carry markup ranging from 8.84% to 12.88% (2008: 5.94% to 11.12%) per annum on semi-annual basis with remaining maturities of 1 to 14 years. Certain government securities are required to be maintained with the SBP to meet statutory liquidity requirements calculated on the basis of demand and time liabilities.

**11.2.1** This includes Rs. 100 million PIB outstanding as at December 31, 2009, which was pledged against borrowing from a Company in 2004. As the lender had failed to return the pledged PIB upon the maturity of the contract period, this amount is appearing as investment in PIBs with a corresponding amount appearing in Borrowings. No interest is accrued either as income from the PIB or as expense on this borrowing since the filing of the dispute between the Bank and the Company.

**11.3** In 2007, the SBP issued Defense Savings Certificates (DSCs) of Rs 5.771 million against lost Foreign Exchange Bearer Certificates (FEBCs) to the Bank with 2 years restriction on disposal. These certificates carry interest rate of 6.5% per annum. Further, the Bank has purchased DSCs of Rs. 2.730 million carrying interest rate of 12.15 % which are pledged as security.

**11.4** These Sukuk Bonds of Liberty Power Tech Limited carry mark-up rate of 3 months KIBOR + 300 bps and have an original maturity of 12 years.

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

### 11.5 Particulars of investment in Cumulative Preference Shares

Investee	Note	Number of Shares held		Total nominal value	
		2009	2008	2009	2008
				(Rupees '000')	
Pak Electron Limited (PEL) - Convertible Loaded	11.5.1	625,000	625,000	6,250	6,250
Pak Electron Limited (PEL) - Non-Convertible	11.5.1	1,875,000	1,875,000	18,750	18,750
Fazal Cloth Mills Limited	11.5.2	2,500,000	2,500,000	25,000	25,000
Jamshoro Joint Venture Company Limited	11.5.3	–	5,000,000	–	50,000
				50,000	100,000

**11.5.1** These preference shares carry fixed dividend of 9.5% on cumulative basis payable when and if declared by the Board of Directors. For redemption, the call option can be exercised by PEL upto 100% after three years of the issue date at 1% premium on the issue price.

**11.5.2** These preference shares are redeemable upon the exercise of a call option by the company after completion of three years from the issue date.

**11.5.3** These shares were redeemed during the year.

### 11.6 Particulars of investment in Listed Shares / Certificates

Held-for-trading	Number of Shares / Certificates held		Cost of investment	
	2009	2008	2009	2008
			(Rupees '000')	
Adamjee Insurance Company Limited	–	25,000	–	8,149
Allied Bank Limited	–	240,000	–	27,790
BankIslami Pakistan Limited	–	825,000	–	12,326
Fauji Fertilizer Bin Qasim Limited	–	450,000	–	17,550
Indus Motors Company Limited	–	198,000	–	60,336
Oil and Gas Development Company Limited	–	400,000	–	47,920
Pakistan Telecommunication Company Limited	–	50,000	–	2,850
Soneri Bank Limited	–	180,000	–	8,467
Standard Chartered Bank (Pakistan) Limited	–	150,000	–	7,943
The Bank of Punjab	–	344,000	–	29,125
			–	222,456
<b>Available-for-sale</b>				
Abbott Laboratories (Pakistan) Limited	869,228	906,152	184,146	191,968
Allied Bank Limited	–	514,800	–	55,834
Askari Bank Limited	250,000	–	6,674	–
Attock Cement Pakistan Limited	–	139,200	–	13,878
Awan Textile Mills Limited	39,000	39,000	390	390
Bank AL Habib Limited	179,287	140,618	8,350	8,350
BankIslami Pakistan Limited	–	88,646	–	1,436
Berger Paints Pakistan Limited	441,310	447,160	65,093	65,956
Brother Textile Mills Limited	87	87	2	2
Lafarge Pakistan Cement Limited (formerly Pakistan Cement Limited)	10,000	10,000	2,819	2,819
Century Paper & Board Mills Limited	9	9	–	–
Clariant Pakistan Limited	–	282,398	–	49,691
Samba Bank Limited (formerly Crescent Commercial Bank Limited)	–	576,402	–	12,076
Crescent Steel & Allied Products Limited	–	454,236	–	40,220
Dewan Farooq Motors Limited	944,225	1,018,225	30,184	32,549
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	–	57,500	–	10,063
Fateh Industries Limited	–	–	–	–

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Number of Shares / Certificates held		Cost of investment	
	2009	2008	2009 (Rupees '000')	2008
Fauji Cement Company Limited	–	788,500	–	11,749
Fauji Fertilizer Company Limited	–	372,964	–	44,289
Fauji Fertilizer Bin Qasim Limited	–	547,500	–	20,557
First Equity Modaraba	–	1,380,000	–	14,067
First Fidelity Lease Modaraba	1	1	–	–
First Habib Bank Modaraba	–	60,507	–	520
First National Bank Modaraba	699,751	1,475,000	5,948	12,538
First Tawakal Modaraba	446,774	446,774	–	–
The General Tyre and Rubber Company of Pakistan Limited	–	841,000	–	46,155
Glamour Textile Mills Limited	200,000	200,000	5,016	5,016
GlaxoSmithKline Pakistan Limited	655,735	666,545	126,164	128,243
Habib Insurance Company Limited	*1,526,179	*1,356,604	89,140	89,140
Habib Sugar Mills Limited	–	*515,702	–	22,134
Hira Textile Mills Limited	–	1,406,624	–	11,183
The Hub Power Company Limited	6,415,477	11,384,000	204,696	389,216
Ibrahim Fibres Limited	300	300	5	5
ICI Pakistan Limited	–	766,400	–	150,713
IGI Investment Bank Limited	–	908,684	–	13,403
LTV Capital Modaraba	**171,473	**171,473	5,573	5,573
KSB Pumps Company Limited	124,894	136,772	22,549	27,163
Karam Ceramics Limited	425,656	426,156	8,300	8,310
Kohinoor Energy Limited	–	100,000	–	3,180
Millat Tractors Limited	450,855	699,000	142,442	151,264
Mohib Textile Mills Limited	5	5	–	–
mybank Limited	–	1,146,750	–	27,465
Nagina Cotton Mills Limited	–	187,100	–	2,900
National Bank of Pakistan	–	92,100	–	18,130
New Jubilee Life Insurance Company Limited	–	175,000	–	12,346
Nimir Industries Chemicals Limited	–	4,938,759	–	19,755
Oil & Gas Development Company Limited	–	1,000,000	–	119,653
Pakistan Oilfields Limited	227,600	237,600	75,759	79,088
Pakistan Petroleum Limited	–	550,000	–	127,224
Pakistan Refinery Limited	–	3	–	–
Pakistan Tobacco Company Limited	–	159,700	–	24,833
Premier Insurance Limited	–	* 135,332	–	5,453
Prosperity Weaving Mills Limited	–	127,820	–	1,598
Rupali Polyester Limited	–	134,500	–	5,447
Saudi Pak Leasing Company Limited	–	130,835	–	1,852
Security Investment Bank Limited	10	10	–	–
Shakargani Mills Limited	–	546,740	–	17,564
Sitara Chemical Industries Limited	112,120	112,120	37,672	37,672
Standard Chartered Leasing Limited	–	333,500	–	3,669
Standard Chartered Modaraba	–	146,423	–	1,838
Suraj Cotton Mills Limited	–	1,551,000	–	74,293
Tariq Glass Industries Limited	2,021,904	2,021,904	61,466	61,466
Tawakal Garment Limited	150,000	150,000	–	–
Tri-Pack Films Limited	–	210,000	–	42,693
Trust Modaraba	100	100	1	1
Trust Securities & Brokerage Limited	–	120,000	–	1,020
United Bank Limited	–	125,000	–	16,570
Yousuf Weaving Mills Limited	100	100	2	2
Total Listed Shares / Certificates			<u>1,082,391</u>	<u>2,342,182</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	Percentage of holding	Number of Shares held		Cost of Investment	
			2009	2008	2009	2008
<b>11.7 Particulars of Unlisted Shares</b>						
Pakistan Export Finance Guarantee Agency Limited Chief Executive: Syed Mohammad Zaeem	11.7.1	5.26%	568,044	568,044	5,680	5,680
Central Depository Company of Pakistan Limited Chief Executive: Mr. Muhammad Hanif Jakhura	11.7.2	8.27%	2,500,000	2,500,000	5,000	5,000
Crescent Capital Management (Private) Limited Chief Executive: Mr. Mahmood Ahmed	11.7.3	4.88%	100,000	100,000	1,000	1,000
Equity Participation Fund Limited Chief Executive: Mr. S. Shabahat Hussain	11.7.4	0.97%	**5,087	**15,000	509	1,500
Pakistan Textile City (Private) Limited Chief Executive: Mr. Zaheer A. Hussain	11.7.5	4.55%	5,000,000	5,000,000	50,000	50,000
National Investment Trust Limited Chief Executive: Mr. Tariq Iqbal Khan	11.7.6	8.33%	**79,200	**52,800	100	100
SunBiz (Private) Limited Chief Executive: Mr. Nisar Ahmed	11.7.7	4.65%	10,000	10,000	1,000	1,000
SWIFT Chief Executive: Mr. Lazaro Campos	11.7.8	0.01%	***9	-	2,928	-
					<u>66,217</u>	<u>64,280</u>

**11.7.1** Value of investment, based on the net assets stated in the audited financial statements of investee company as at December 31, 2008 amounts to Rs. 1.171 million.

**11.7.2** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2009 amounts to Rs. 78.210 million.

**11.7.3** This investment is fully provided in these consolidated financial statements.

**11.7.4** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2008 amounts to Rs. 11.477 million.

**11.7.5** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2009 amounts to Rs. 51.544 million.

**11.7.6** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2009 amounts to Rs. 538.320 million.

**11.7.7** This investment is fully provided in these consolidated financial statements.

**11.7.8** Value of investment, based on the net assets stated in the audited financial statements of investee company as at December 31, 2008 amounts to Rs. 2.570 million.

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Number of Certificates held		Amortized cost	
	2009	2008	2009	2008
<b>11.8 Particulars of investment in Listed Term Finance Certificates</b>			(Rupees '000')	
<b>Investee</b>				
Allied Bank Limited	6,000	–	28,525	–
Askari Commercial Bank Limited	3,184	3,184	15,895	15,901
Azgard Nine Limited	10,000	15,000	37,649	53,050
Bank AL Habib Limited	17,247	8,500	82,439	42,432
Engro Corporation (formerly Engro Chemical Pakistan Limited)	50,000	10,000	246,055	50,153
Escorts Investment Bank Limited	2,016	2,016	8,393	10,074
Orix Leasing Pakistan Limited	33,900	–	133,119	–
PACE Pakistan Limited	6,000	6,000	29,982	29,994
Pakistan Mobile Communications Limited	60,000	60,000	299,580	299,700
Soneri Bank Limited	6,000	6,000	29,946	29,958
Telecard Limited	74,888	74,888	164,606	206,640
Trust Leasing & Investment Bank Limited	10,000	10,000	10,428	21,406
United Bank Limited	101,443	5,000	466,574	24,997
			<u>1,553,191</u>	<u>784,305</u>

<b>11.9 Particulars of investment in Unlisted Term Finance Certificates</b>				
Avari Hotels Limited	30,400	30,400	152,000	152,000
New Khan Transport Company (Private) Limited	20,000	20,000	53,559	54,697
Power Holdings (Private) Limited	557,800	–	2,789,000	–
			<u>2,994,559</u>	<u>206,697</u>

	Number of Units / Certificates held		Cost of investment	
	2009	2008	2009	2008
<b>11.10 Particulars of Mutual Funds</b>			(Rupees '000')	
<b>Held-for-trading</b>				
Meezan Balanced Fund	–	500,000	–	5,125
NAMCO Balanced Fund	–	486,733	–	4,746
			<u>–</u>	<u>9,871</u>
<b>Available-for-sale</b>				
AKD Opportunity Fund	587,679	587,679	32,493	32,493
Askari Sovereign Cash Fund	971,110	–	100,000	–
First Dawood Mutual Fund	900,000	1,455,100	6,975	11,277
First Habib Income Fund	–	203,000	–	20,000
HBL Income Fund	–	576,209	–	50,000
HBL Multi Asset Fund	–	260,721	–	25,000
Lakson Money Market Fund	200,120	–	20,000	–
Pakistan Strategic Allocation Fund	8,370,000	8,370,000	76,167	76,167
JS Growth Fund (formerly UTP Growth Fund)	227,410	227,410	2,911	2,911
JS Income Fund	970,402	–	100,000	–
JS Large Capital Fund (formerly UTP Large Capital Fund)	11,385,092	11,385,092	92,219	92,219
			<u>430,765</u>	<u>310,067</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	Holding	Number of Shares / Units / Certificates held		Total carrying value	
			2009	2008	2009	2008
<b>11.11</b>	<b>Particulars of investment in associates</b>					
NAFA Cash Fund		–	–	20,000,000	–	191,789
NAFA Government Securities Liquid Fund		0.45%	1,500,000	–	15,399	–
NAFA Islamic Multi Asset Fund		13.92%	7,500,000	7,500,000	69,934	46,778
NAFA Islamic Income Fund		22.72%	7,500,000	7,500,000	52,892	65,228
NAFA Multi Asset Fund		–	–	7,500,000	–	53,284
NAFA Savings Plus Fund		6.32%	3,000,000	–	30,354	–
NAFA Stock Fund		4.07%	7,500,000	7,500,000	54,060	38,747
National Fullerton Asset Management Limited (held for sale)	11.11.1	27.00%	6,749,998	6,749,998	94,889	102,855
PICIC Energy Fund		27.17%	27,172,160	27,172,160	266,368	130,465
PICIC Growth Fund		15.34%	43,482,858	43,482,858	1,164,978	745,253
PICIC Insurance Limited		30.00%	10,499,993	10,499,993	66,377	83,582
PICIC Investment Fund		34.04%	96,704,149	96,704,149	1,237,050	784,439
					<u>3,052,301</u>	<u>2,242,420</u>

**11.11.1** Subsequent to the year end, a purchase agreement has been signed between the Bank and the National Bank of Pakistan (NBP), by which the Bank is in the process of disinvesting its twenty seven percent holding in NAFA to NBP as, under the NBFC Regulations, an entity cannot have an interest in two asset management companies. The transaction is expected to be completed by March 31, 2010 subject to certain regulatory approvals.

**11.11.2** Summarized financial information in respect of associates is set out below:

	2009					
	(Rupees '000')					
	Total assets	Total liabilities	Net assets	Total Revenue	Profit / (loss) for the year	Share of profit / (loss) for the year
NAFA Cash Fund	–	–	–	–	–	9,578
NAFA Government Securities Liquid Fund	3,429,979	17,472	3,412,507	181,314	156,645	1,801
NAFA Islamic Multi Asset Fund	510,558	8,239	502,319	236,041	186,791	23,198
NAFA Islamic Income Fund	233,622	818	232,804	48,957	(74,115)	(12,294)
NAFA Multi Asset Fund	–	–	–	–	–	17,611
NAFA Savings Plus Fund	484,240	4,329	479,911	6,691	5,317	551
NAFA Stock Fund	1,335,740	8,398	1,327,342	452,075	232,375	15,313
National Fullerton Asset Management Limited (held for sale)	474,396	122,954	351,442	307,468	(29,503)	(7,966)
PICIC Energy Fund	1,031,244	50,945	980,299	587,283	550,155	149,489
PICIC Growth Fund	7,950,209	354,771	7,595,438	1,937,935	1,746,640	267,897
PICIC Insurance Limited	726,859	505,603	221,256	237,089	12,300	3,690
PICIC Investment Fund	3,919,571	285,013	3,634,558	987,700	893,176	303,999
						<u>772,867</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Number of Shares / Certificates held		Total carrying value	
	2009	2008	2009	2008

### 11.12 Particulars of investment in subsidiary

Financial and Management Services (Private) Limited	**88,850	**88,850	724	724
			<u>724</u>	<u>724</u>

Unless otherwise stated, holdings in modaraba certificates and ordinary shares are of Rs. 10 each.

\* Shares / Modaraba Certificates of Face Value of Rs. 5 each

\*\* Shares / Modaraba Certificates of Face Value of Rs. 100 each

\*\*\* Shares of Face Value of Euro 2,680 each

All Term Finance Certificates are of Original Face Value of Rs. 5,000 each

### 11.13 Particulars of provision for diminution in value of investments

	2009	2008
	(Rupees '000')	
Opening balance	422,101	123,006
Charge for the year	576,843	329,697
Reversal for the year		
- Term Finance Certificates	(1,138)	-
	575,705	329,697
Reversal due to sale	(439,073)	(30,602)
Closing balance	<u>558,733</u>	<u>422,101</u>

### 11.14 Particulars of provision in respect of type and segment

Available-for-sale securities		
- Listed shares / Certificates / Units	497,940	361,379
- Unlisted shares	6,510	5,301
- Unlisted Term Finance Certificates	53,559	54,697
	<u>558,009</u>	<u>421,377</u>
Subsidiary	724	724
	<u>558,733</u>	<u>422,101</u>

### 11.15 Particulars of deficit on revaluation of securities - held-for-trading

Adamjee Insurance Company Limited	-	(5,603)
Allied Bank Limited	-	(20,275)
BankIslami Pakistan Limited	-	(6,348)
Fauji Fertilizer Bin Qasim Limited	-	(11,745)
Indus Motors Company Limited	-	(36,068)
Meezan Balanced Fund	-	(3,140)
NAMCO Balanced Fund	-	(146)
Oil and Gas Development Company Limited	-	(27,924)
Pakistan Telecommunication Company Limited	-	(2,005)
Soneri Bank Limited	-	(6,487)
Standard Chartered Bank (Pakistan) Limited	-	(6,645)
The Bank of Punjab	-	(24,587)
	<u>-</u>	<u>(150,973)</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
<b>11.16 Quality of Available-for-Sale Securities - at Market Value</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	42,594,390	Unrated	18,779,400	Unrated
Pakistan Investment Bonds	3,373,840	Unrated	2,632,689	Unrated
GoP Ijara Sukuk Bonds	–	–	500,000	Unrated
Defense Savings Certificates	8,501	Unrated	8,421	Unrated
<b>Sukuk Bonds</b>	205,304	Unrated	–	–
<b>Cumulative Preference Shares</b>				
Pak Electron Limited	25,000	A/A1	25,000	A/A1
Fazal Cloth Mills Limited	25,000	*	25,000	*
Jamshoro Joint Venture Company Limited	–	–	50,000	A+/A-1
<b>Ordinary shares of listed companies</b>				
Abbott Laboratories (Pakistan) Limited	105,368	*	81,200	*
Allied Bank Limited	–	–	16,124	AA/A1+
Attock Cement Limited	–	–	5,245	*
Askari Bank Limited	6,825	AA/A1+	–	–
Bank AL Habib Limited	5,873	AA+/A1+	3,497	AA/A1+
BankIslami Pakistan Limited	–	–	643	A-/A2
Berger Paints (Pakistan) Limited	13,950	*	15,338	*
Clariant Pakistan Limited	–	–	46,118	*
Samba Bank Limited, (formerly Crescent Commercial Bank Limited)	–	–	2,847	A/A-1
Crescent Steel & Allied Products Limited	–	–	7,736	A+/A-1
Dewan Farooq Motors Limited	1,407	*	2,047	*
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	–	–	5,546	AA/A1+
Fauji Cement Company Limited	–	–	3,706	*
Fauji Fertilizer Bin Qasim Limited	–	–	7,063	*
Fauji Fertilizer Company Limited	–	–	21,904	*
First Equity Modaraba	–	–	1,628	*
First Habib Bank Modaraba	–	–	183	AA-/A-1+
IGI Investment Bank Limited	–	–	2,862	A/A1
First National Bank Modaraba	2,428	A+/A-1	4,425	A+/A-1
The General Tyres and Rubber Company of Pakistan Limited	–	–	13,961	*
GlaxoSmithKline Pakistan Limited	71,652	*	50,617	*
Habib Insurance Company Limited	24,419	A+	37,551	A+
Habib Sugar Mills Limited	–	–	15,590	*
Hira Textile Mills Limited	–	–	3,179	*



## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
The Hub Power Company Limited	199,393	*	160,401	*
ICI Pakistan Limited	–	–	52,659	*
KSB Pumps Company Limited	9,370	*	31,592	*
Karam Ceramics Limited	3,831		11,817	*
Kohinoor Energy Limited	–	–	1,925	*
Millat Tractors Limited	171,235	*	93,603	*
mybank Limited	–	–	13,302	A/A1
Nagina Cotton Mills Limited	–	–	2,900	*
National Bank of Pakistan	–	–	4,634	AAA/A-1+
New Jubilee Life Insurance Company Limited	–	–	7,898	*
Nimir Industries Chemical Limited	–	–	7,260	*
Oil and Gas Development Company Limited	–	–	49,990	AAA/A-1+
Pakistan Oilfields Limited	52,523	*	24,352	*
Pakistan Petroleum Limited	–	–	55,341	*
Pakistan Tobacco Company Limited	–	–	16,976	*
Premier Insurance Limited	–	–	2,569	A
Prosperity Weaving Mills Limited	–	–	1,023	*
Rupali Polyester Limited	–	–	5,246	*
Saudi Pak Leasing Company Limited	–	–	379	BBB+/A-3
Shakarganj Mills Limited	–	–	3,964	BBB+/A2
Sitara Chemicals Industries Limited	17,941	AA-/A-1	23,702	AA-/A-1
Standard Chartered Leasing Limited	–	–	584	A+/A1
Standard Chartered Modaraba	–	–	997	AA+/A1+
Suraj Cotton Mills Limited	–	–	63,979	*
Tariq Glass Industries Limited	16,195	*	13,749	*
Tri-Pack Films Limited	–	–	26,174	A+/A1
Trust Securities & Brokerage Limited	–	–	1,016	*
United Bank Limited	–	–	4,614	AA+/A-1+
<b>Ordinary shares of Unlisted Companies</b>				
Central Depository Company of Pakistan Limited	5,000	*	5,000	*
Crescent Capital Management (Private) Limited	1,000	*	1,000	*
Equity Participation Fund Limited	509	*	1,500	*
National Investment Trust Limited	100	AM2	100	AM-DS
Pakistan Export Finance Guarantee Agency Limited	5,680	*	5,680	*
SunBiz (Private) Limited	1,000	*	1,000	*
Pakistan Textile City (Private) Limited	50,000	*	50,000	*
SWIFT	2,928	*	–	–
<b>Units / Certificates of Mutual Funds</b>				
AKD Opportunity Fund	25,476	*	17,513	*
Askari Sovereign Cash Fund	100,013	*	–	–
First Dawood Mutual Fund	1,521	FR 4-STAR	3,143	FR 4-STAR
First Habib Income Fund	–	–	19,697	*
HBL Income Fund	–	–	54,815	*

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009		2008	
	(Rupees '000')	Rating	(Rupees '000')	Rating
HBL Multi Asset Fund	–	–	17,171	*
Pakistan Strategic Allocation Fund	37,163	FR 4-STAR	19,083	FR 4-STAR
JS Growth Fund (formerly UTP Growth Fund)	1,123	FR 3-STAR	678	*
JS Income Fund	100,126	FR 5-STAR	–	–
Lakson Money Market Fund	20,278	*	–	–
JS Large Capital Fund (formerly UTP Large Capital Fund)	52,371	FR 4-STAR	26,186	FR 4-STAR
<b>Term Finance Certificates</b>				
Allied Bank Limited	29,029	AA-	–	–
Askari Commercial Bank Limited	15,277	AA-	16,028	AA-
Avari Hotels Limited	152,000	A-	152,000	A-
Azgard Nine Limited	18,665	AA-	23,585	AA-
Bank AL Habib Limited	40,070	AA	–	–
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	232,314	AA	48,121	AA
Escorts Investment Bank Limited	8,321	A+	10,384	A+
New Khan Transport Company (Private) Limited	53,559	*	54,697	–
Orix Leasing Pakistan Limited	141,730	AA+	–	–
PACE Pakistan Limited	29,100	A+	30,348	AA-
Pakistan Mobile Communications Limited	300,419	AA-	320,559	AA-
Power Holdings (Private) Limited	2,789,000	*	–	–
Telecard Limited	146,626	BBB	166,963	BBB
Trust Investment Bank Limited	9,584	A	20,140	A
United Bank Limited	424,963	AA	–	–
	<u>51,729,390</u>		<u>24,117,557</u>	

\* Rating Not Available

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000')	
<b>12. ADVANCES</b>			
Loans, cash credits, running finance, etc.- in Pakistan	12.1	93,847,123	90,877,027
Net investment in finance lease - in Pakistan	12.3	3,061,322	4,374,849
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		412,889	527,618
Payable outside Pakistan		2,679,423	1,542,987
Advances - Gross		100,000,757	97,322,481
Provision against non-performing advances - Specific	12.4	(15,746,457)	(16,715,515)
- General		(232,894)	(262,773)
Advances - Net of provisions	12.5	(15,979,351)	(16,978,288)
		84,021,406	80,344,193
<b>12.1</b>	This includes a sum of Rs. 79.074 million (2008 : Rs. 79.074 million) representing unrealized exchange gain, which has not been recognised as income and deferred in these consolidated financial statements, in accordance with the policy of the Group, as stated in note 6.17.		
<b>12.2 Particulars of advances</b>			
<b>12.2.1</b> In local currency		97,048,697	95,066,054
In foreign currencies		2,952,060	2,256,427
		100,000,757	97,322,481
<b>12.2.2</b> Short term (for upto one year)		61,555,478	62,762,818
Long term (for over one year)		38,445,279	34,559,663
		100,000,757	97,322,481

### 12.3 Net Investment in Finance Lease

	2009			Total
	Not later than one year	Later than one and less than five years	Over five years	
(Rupees '000')				
Lease rentals receivable	2,150,226	218,485	-	2,368,711
Residual value	860,316	131,710	-	992,026
Minimum lease payments	3,010,542	350,195	-	3,360,737
Financial charges for future periods (including income suspended)	(267,863)	(31,552)	-	(299,415)
Present value of minimum lease payments	2,742,679	318,643	-	3,061,322
2008				
Lease rentals receivable	2,766,654	650,996	-	3,417,650
Residual value	859,233	564,172	-	1,423,405
Minimum lease payments	3,625,887	1,215,168	-	4,841,055
Financial charges for future periods (including income suspended)	(367,548)	(98,658)	-	(466,206)
Present value of minimum lease payments	3,258,339	1,116,510	-	4,374,849

Minimum Lease payments receivable includes a sum of Nil (2008: Rs. 5.248 million) due from an associated undertaking.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 12.4 Advances include Rs. 23,429.526 million (2008: Rs. 22,457.812 million), which have been placed under non-performing status as detailed below:

Note	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees '000')									
<b>Category of Classification</b>									
Substandard	4,197,868	-	4,197,868	855,910	-	855,910	855,910	-	855,910
Doubtful	4,123,923	-	4,123,923	1,516,249	-	1,516,249	1,516,249	-	1,516,249
Loss	15,107,735	-	15,107,735	13,374,298	-	13,374,298	13,374,298	-	13,374,298
	<u>23,429,526</u>	<u>-</u>	<u>23,429,526</u>	<u>15,746,457</u>	<u>-</u>	<u>15,746,457</u>	<u>15,746,457</u>	<u>-</u>	<u>15,746,457</u>

12.4.1 Included in the Provision Required is an amount of Rs. 1,565.496 million which represents provision in excess of the requirements of the State Bank of Pakistan.

Note	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees '000')									
<b>Category of Classification</b>									
Substandard	5,751,056	-	5,751,056	1,428,052	-	1,428,052	1,428,052	-	1,428,052
Doubtful	2,151,808	-	2,151,808	1,038,757	-	1,038,757	1,038,757	-	1,038,757
Loss	14,554,948	-	14,554,948	14,248,706	-	14,248,706	14,248,706	-	14,248,706
	<u>22,457,812</u>	<u>-</u>	<u>22,457,812</u>	<u>16,715,515</u>	<u>-</u>	<u>16,715,515</u>	<u>16,715,515</u>	<u>-</u>	<u>16,715,515</u>

The State Bank of Pakistan (SBP) vide its BSD Circular No. 2 dated January 27, 2009 had allowed banks to avail the benefit of 30% of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial and residential properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirements with effect from December 31, 2008. Subsequently the SBP, vide its BSD Circular No. 10 of 2009 dated October 20, 2009 has made further amendments in the Prudential Regulations and allowed banks to avail the benefit of 40% of FSV of pledged stocks and mortgaged residential, commercial properties and benefit of 40% on industrial properties (land and buildings only) held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirements with effect from September 30, 2009. Had the benefit of the said new circulars not been availed by the Bank in the current year, the net charge for provisions would have been higher by an amount of Rs. 1,683.490 million and profit after tax would have been lower by Rs. 1,094.269 million. The increase in profit as a result of taking this benefit is not available for the distribution of cash and stock dividends to shareholders.

In addition to above mentioned FSV benefit, the Bank has also availed FSV benefit of Rs. 232.731 million in accordance with relaxation granted by the SBP to the Bank. If the additional benefit had not been taken, the provision against non performing loans and advances would have been higher by Rs. 232.731 million and profit after tax would have been lower by Rs. 151.275 million.

Against the FSV benefit of Rs. 1,916.221 million, the Bank has provided an amount of Rs. 2,832.697 million. The total value of the collateral on the basis of which the FSV benefit has been availed is over Rs. 7 billion and management is confident that the actual realization will substantially exceed the FSV benefit availed.

### 12.5 Particulars of provision against non-performing advances

Note	2009						2008		
	Specific	General	Total	Specific	General	Total			
	(Rupees '000')								
Opening balance	16,715,515	262,773	16,978,288	10,040,046	613,911	10,653,957			
Charge for the year	3,754,080	59,681	3,813,761	10,782,574	115,589	10,898,163			
Reversals	(3,199,696)	(89,560)	(3,289,256)	(1,945,434)	(119,088)	(2,064,522)			
	554,384	(29,879)	524,505	8,837,140	(3,499)	8,833,641			
Amounts written off from the opening balance	12.6	(218,742)	-	(218,742)	(261,088)	-	(261,088)		
Amounts charged and written off during the year	12.6	(1,304,700)	-	(1,304,700)	(2,248,222)	-	(2,248,222)		
Transfer to / (from)		-	-	347,639	(347,639)	-			
Closing balance	<u>15,746,457</u>	<u>232,894</u>	<u>15,979,351</u>	<u>16,715,515</u>	<u>262,773</u>	<u>16,978,288</u>			

#### 12.5.1 Particulars of provision against non-performing advances - currency wise

In local currency	15,746,457	232,894	15,979,351	16,715,515	262,773	16,978,288
In foreign currencies	-	-	-	-	-	-
	<u>15,746,457</u>	<u>232,894</u>	<u>15,979,351</u>	<u>16,715,515</u>	<u>262,773</u>	<u>16,978,288</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
(Rupees '000')			
<b>12.6 Particulars of write offs:</b>			
<b>12.6.1</b> Against provisions		1,523,442	2,509,310
Directly charged to profit and loss account		67,398	1,800
		<u>1,590,840</u>	<u>2,511,110</u>
<b>12.6.2</b> Write offs of Rs. 500,000 and above	12.7	208,576	210,077
Write offs of below Rs. 500,000	12.7	1,382,264	2,301,033
		<u>1,590,840</u>	<u>2,511,110</u>
<b>12.7 Details of loan write offs of Rs. 500,000 and above</b>			
In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any financial relief of five hundred thousand rupees or above allowed to person(s) during the year ended December 31, 2009 is given in Annexure 1. However, this write off does not affect the Bank's right to recover the debts from any customers.			
<b>12.8 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at the beginning of the year		1,010,321	586,755
Additions during the year		88,422	97,854
Loans granted during the year		565,909	607,255
Repayments during the year		(317,181)	(281,543)
Balance at the end of the year		<u>1,347,471</u>	<u>1,010,321</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at the beginning of the year		305,248	7,545
Loans granted during the year		300,000	807,686
Repayments during the year		(605,248)	(509,983)
Balance at the end of the year		<u>-</u>	<u>305,248</u>
<b>13. OPERATING FIXED ASSETS</b>			
Capital work in progress	13.1	164,380	760,882
Property and equipment	13.2	2,971,470	2,946,738
		<u>3,135,850</u>	<u>3,707,620</u>
<b>13.1 Capital work in progress</b>			
Civil works		62,236	55,143
Equipment and electrical work		16,313	44,595
Advances to suppliers and contractors		1,141	63,205
Advance for computer software		83,926	595,523
Others		764	2,416
		<u>164,380</u>	<u>760,882</u>
<b>13.1.1</b> During the year, an amount of Rs. 1.030 million (2008: Rs.27.285 million) was written off as this represented long outstanding and unidentifiable items.			

# Notes to the Consolidated Financial Statements For the year ended December 31, 2009

## 13.2 Property and Equipment

Particulars	Note	C O S T			DEPRECIATION			Net Book value as at December 31, 2009	Rate of Depreciation % per annum
		As at January 01, 2009	Additions / (deletions)	Adjustment / (write-offs)	As at December 31, 2009	Accumulated as at January 01, 2009	For the year / (on deletions) (write-offs)		
Freehold land		336,617	-	-	336,617	-	-	336,617	
Leasehold land	13.2.3	1,064,456	-	-	1,064,456	15,634	-	1,048,822	
Buildings on freehold land		583,397	933	-	584,330	132,980	28,583	422,767	5%
Buildings on leasehold land		158,073	-	-	158,073	17,903	7,648	132,522	5%
Furniture and fixtures		225,811	25,073	(9)	241,795	83,446	22,590	142,936	10%
			(8,401)	(679)			(6,654)		
Electrical, office and computer equipment		1,080,745	337,354	-	1,373,042	659,434	235,295	523,250	20% & 33%
			(45,057)				(44,937)		
Vehicles		42,499	19,457	-	54,785	19,180	8,666	31,748	20%
			(5,248)	(1,923)			(3,168)		
Leasehold Improvements		842,529	114,639	-	957,151	458,812	165,541	332,808	20%
			(17)				(10)		
		4,334,127	497,456	-	4,770,249	1,387,389	468,323	2,971,470	
			(58,723)	(2,611)			(54,769)		

**13.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 605.509 million (2008: Rs. 296.303 million).

**13.2.2** Carrying amount of temporarily idle property is Rs. 526.184 million (2008: Rs. 526.842 million).

**13.2.3** This includes a plot of land costing Rs. 9.240 million in Block-6, KDA Scheme-5, Clifton, Karachi (the "Plot"), possession of which was taken by the Bank (formerly PICIC) in April 1983 pursuant to an allotment order by City District Government Karachi ("CDGK") (formerly Karachi Development Authority). All the legal dues in respect of the Plot including Non-utilization Fees have been paid. In 2000, CDGK cancelled the allotment unilaterally based on certain building and construction restrictions. The Bank filed a Civil Suit against CDGK before the High Court of Sindh in respect of the said unilateral cancellation of the allotment. Meanwhile, also in 2000, a dispute arose with KPT in respect of construction of a boundary wall on the Plot by KPT as KPT claimed that the land had been reverted to KPT. The said claim by KPT was also challenged by way of Civil Suit before the High Court of Sindh. The High Court of Sindh initially issued restraining orders against CDGK and KPT in the respective suits in respect of cancellation of the allotment of the Plot. Subsequently, both the suits were decided in favor of the Bank. In the suit filed against CDGK, the High Court of Sindh held that the action of cancellation of the allotment by CDGK was improper and void, whereas, in the suit against KPT, the High Court of Sindh held that since allotment in favor of the Bank was valid therefore, KPT had no standing to claim that the land had been reverted back to KPT. Both the decisions of the High Court of Sindh are currently being challenged in two separate High Court Appeals by CDGK and KPT and the same are still pending. Furthermore, in November 2008, KPT filed a Civil Suit seeking a declaration from the High Court of Sindh to the effect that the Plot had been validly reverted to KPT. At present, the Bank is actively defending the case.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

Particulars	C O S T		DEPRECIATION			Net Book Value as at December 31, 2008	Rate of depreciation % per annum	
	As at January 01, 2008	Adjustment / (write-offs)	As at December 31, 2008	Accumulated as at January 01, 2008	For the year / Adjustments / (write-offs)			Accumulated as at December 31, 2008
	(deletions)	/ (write-offs)	31, 2008	as at January 01, 2008	(on deletions)			31, 2008
	(Rupees '000')							
Freehold land	336,617	-	336,617	-	-	336,617		
Leasehold land	1,064,456	-	1,064,456	15,634	-	1,048,822		
Buildings on freehold land	583,397	-	583,397	104,335	28,645	450,417	5%	
Buildings on leasehold land	158,073	-	158,073	10,266	7,637	140,170	5%	
Furniture and fixtures	233,892	38,385	225,811	95,253	21,416	142,365	10%	
	(517)	(45,949)			(355)			
Electrical, office and computer equipment	1,101,438	199,826	1,080,745	598,686	272,208	421,311	20% & 33%	
	(183)	(220,336)			(96)			
Vehicles	328,980	8,921	42,499	130,790	6,300	23,319	20%	
	(273,443)	(21,959)			(106,862)			
Leasehold Improvements	983,694	68,144	842,529	490,677	164,837	383,717	20%	
	(614)	(208,695)			(368)			
	4,790,547	315,276	4,334,127	1,445,641	501,043	2,946,738		
	(274,757)	(496,939)			(107,681)			
Assets held under finance lease:								
Vehicles	14,806	-	-	9,266	-	-		
	(6,197)	(8,609)			(5,169)			
	4,805,353	315,276	4,334,127	1,454,907	501,043	2,946,738		
	(280,954)	(505,548)			(111,778)			

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

### 13.2.4 Detail of disposal of property and equipment during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
..... (Rupees '000') .....						
Computer Equipment	9,462	9,462	-	489	Bid	Mr. Muhammad Rafiq, House # 8/184 Liaquatabad, Karachi
Computer Equipment	16,657	16,657	-	117	Bid	M/s Iqbal and Brothers, Near Pankha Hotel Kabari Bazar Shershah, Karachi
Vehicles	1,478	729	749	885	Bid	Mr. Huzaifa Arif, House # E-11, Block 8, Gulshan-e-Iqbal, Karachi
Vehicles	879	615	264	542	Employee service rules	Mr. Mohammad Safdar Qureshi - Ex Employee
Vehicles	632	263	369	560	Employee service rules	Ms. Sonia Shehryar - Ex Employee
<b>Sub Total</b>	<b>29,108</b>	<b>27,726</b>	<b>1,382</b>	<b>2,593</b>		
Items individually having cost less than Rs. 1 million or net book value not exceeding Rs. 0.25 million						
Computer Equipment	18,277	18,165	112	860		
Vehicles	2,259	1,561	698	1,373		
Furniture and fixtures	8,400	6,654	1,746	501		
Leasehold improvements	18	10	8	4		
Office equipment	661	653	8	176		
<b>Sub Total</b>	<b>29,615</b>	<b>27,043</b>	<b>2,572</b>	<b>2,914</b>		
<b>2009</b>	<b>58,723</b>	<b>54,769</b>	<b>3,954</b>	<b>5,507</b>		
<b>2008</b>	<b>280,954</b>	<b>111,778</b>	<b>169,176</b>	<b>204,286</b>		



# Notes to the Consolidated Financial Statements For the year ended December 31, 2009

## 14. INTANGIBLE ASSETS

Particulars	2009						Rate of amortization % per annum	
	As at January 01, 2009	Additions (deletions)	C O S T (Write offs)	As at December 31, 2009	Accumulated Amortization for the year	AMORTIZATION / IMPAIRMENT Impairment for the year		Accumulated as at December 31, 2009
	(Rupees '000')							
Goodwill	25,261,472	-	-	25,261,472	1,040,000	-	1,040,000	24,221,472
Core Deposit Relationships	2,489,453	-	-	2,489,453	339,471	226,313	565,784	1,923,669
Core Overdraft / Working Capital Loan Relationships	124,149	-	-	124,149	60,566	6,694	67,260	56,889
Brand	204,116	-	-	204,116	61,236	40,824	102,060	102,056
Computer Software	180,743	586,895	-	767,638	94,222	34,231	128,453	639,185
Management Rights	1,726,726	-	-	1,726,726	-	-	-	1,726,726
	29,986,659	586,895	-	30,573,554	1,595,495	308,062	1,903,557	28,669,997

14.1 Included in cost of computer software are fully amortized items still in use having cost of Rs. 57.252 million (2008: Rs. 55.331 million).

Particulars	2008						Rate of amortization % per annum	
	As at January 01, 2008	Additions (deletions)	C O S T (Write offs)	As at December 31, 2008	Accumulated Amortization for the year	AMORTIZATION / IMPAIRMENT Impairment for the year		Accumulated as at December 31, 2008
	(Rupees '000')							
Goodwill	25,261,472	-	-	25,261,472	-	1,040,000	1,040,000	24,221,472
Core Deposit Relationships	2,489,453	-	-	2,489,453	113,157	226,314	339,471	2,149,982
Core Overdraft / Working Capital Loan Relationships	124,149	-	-	124,149	5,643	11,286	43,637	63,583
Brand	204,116	-	-	204,116	20,412	40,824	61,236	142,880
Computer Software	174,455	7,073	(785)	180,743	74,871	19,651	94,222	86,521
Management Rights	1,726,726	-	-	1,726,726	-	-	-	1,726,726
	29,980,371	7,073	(785)	29,986,659	214,083	298,075	1,083,637	28,391,164

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 14.2 Allocation of goodwill to CGUs:

Goodwill acquired through acquisition with indefinite life has been allocated to two CGUs, which are also reportable segments, for impairment testing as follows:

	(Rupees '000')
Consumer and Small Enterprises Group (CSEG)	15,662,113
Small & Medium Enterprises and Commercial (SMEC)	9,599,359
	<u>25,261,472</u>

#### 14.2.1 Key assumptions used in value in use calculations:

The recoverable amounts of the CGUs have been determined based on value in use calculations, using cash flow projections based on financial budgets by the management and covering a ten year period as management believes it will require a period of ten years to capture the niche market. Cash flows beyond that ten year period have been extrapolated using declining growth rates.

The following post-tax rates are used by the Bank:

	2009	2008
Discount rates		
- Projections	18.13%	19.52%
- Terminal value	17.20%	17.52%
Terminal growth rate	10.50%	10.35%

The calculation of value in use for both CGUs is most sensitive to the following assumptions:

- Discount rate
- Terminal growth rate used to extrapolate the cash flows beyond the budgeted period
- Weighted average yield / cost of funds
- Loan loss rates
- Local inflation rates
- Non-interest income
- Market share

#### Discount rate

The discount rate reflects the management's estimate of cost of equity applicable to the CGUs. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).

#### Terminal growth rate used to extrapolate the cash flows beyond the budgeted period

Assumptions are based on published industry research.

#### Weighted average yield / cost of funds

These are based on the actual yield/cost of funds of the recent past.

#### Loan loss rates

These rates are based on the historical loss rate trend of the Bank in the respective units before merger and the results of the performance of the two CGUs since the launch of these businesses post merger.

#### Non-interest income

Non-interest income is projected in line with management's estimate of growth in advances and deposits.

#### Market Share

Management assesses that the relative positions of each of the two CGUs to niche (untapped) market will grow over the budgeted period.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 14.2.2 Annual test for impairment

#### Goodwill

During the year, the Bank assessed the recoverable amount of the goodwill associated with both CGUs i.e. CSEG and SMEC, by determining the value in use over a ten year period as these businesses are long term by nature. The recoverable values of both CGUs exceed their carrying values and hence no impairment is deemed to exist. The management believes that any reasonable possible changes to the key assumptions on which the calculation of recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

#### Intangibles

In the current year, the Bank also assessed the recoverable amount of core overdraft / working capital loan relationships, core deposit relationships and brand and determined that no impairment loss exists.

	Note	2009	2008
(Rupees '000')			
<b>15. DEFERRED TAX ASSETS</b>			
<b>Deferred debits arising due to:</b>			
Provision against loans and advances		6,393,933	6,606,954
Provision against other receivables		281,314	288,338
Provision against balances with other banks		1,387	1,387
Deficit on revaluation of securities		71,495	277,087
Gratuity		14,762	15,482
Unused tax losses		2,135,530	472,939
Excess of tax base of government securities / investments over accounting base		350,877	461,239
		9,249,298	8,123,426
<b>Deferred credits arising due to:</b>			
Excess of accounting base of leased asset over tax base		(218,511)	(328,460)
Accelerated accounting depreciation on owned assets		(714,195)	(650,583)
Intangibles including goodwill		(1,344,257)	-
Fair valuation of subsidiaries and associates		(521,539)	(571,544)
Unrealised exchange gains	15.1	(6,007)	(6,007)
Unrealised exchange losses	15.2	(33,604)	(33,604)
		(2,838,113)	(1,590,198)
		<u>6,411,185</u>	<u>6,533,228</u>

**15.1** In 1987 and 1989, the Bank (formerly PICIC) exercised its option to avail the exchange risk coverage offered by the Government of Pakistan, Ministry of Finance and Economic Affairs (Economic Affairs Division), through Office Memo 1(16)/50/DM/86 dated July 8, 1987 and 1(12)/50/DM/89 dated June 1, 1989 respectively and, in turn the Bank (formerly PICIC) offered the risk coverage to its Borrowers.

**15.2** The unrealised exchange losses of the Bank (formerly PICIC) as on April 21, 1987, the effective date of exercise of both the options arising on related borrowings as reduced by gains arising on related advances was claimed as loss for tax purposes.

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

### 15.3 Movement in temporary differences during the year:

	2009			Balance as at December 31, 2009
	Balance as at January 01, 2009	Recognised in profit and loss account	Recognised in equity	
(Rupees '000')				
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	6,606,954	(213,021)	–	6,393,933
Provision against other receivables	288,338	(7,024)	–	281,314
Provision against balances with other banks	1,387	–	–	1,387
Deficit on revaluation of securities	277,087	–	(205,592)	71,495
Gratuity	15,482	(720)	–	14,762
Unused tax losses	472,939	1,662,591	–	2,135,530
Excess of tax base of government securities / investments over accounting base	461,239	(110,362)	–	350,877
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(328,460)	109,949	–	(218,511)
Accelerated accounting depreciation on owned assets	(650,583)	(63,612)	–	(714,195)
Intangibles including goodwill	–	(1,344,257)	–	(1,344,257)
Fair valuation of subsidiaries and associates	(571,544)	50,005	–	(521,539)
Unrealised exchange gains	(6,007)	–	–	(6,007)
Unrealised exchange losses	(33,604)	–	–	(33,604)
	<u>6,533,228</u>	<u>83,549</u>	<u>(205,592)</u>	<u>6,411,185</u>
2008				
	Balance as at January 01, 2008	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2008
(Rupees '000')				
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	3,789,974	2,816,980	–	6,606,954
Provision against other receivables	7,202	281,136	–	288,338
Provision against balances with other banks	1,387	–	–	1,387
Provision for leave encashment	26,604	(26,604)	–	–
Deficit on revaluation of securities	2,043	–	275,044	277,087
Gratuity	15,577	(95)	–	15,482
Unused tax losses	373,545	99,394	–	472,939
Excess of tax base of government securities / investments over accounting base	385,414	77,214	(1,389)	461,239
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(552,639)	224,179	–	(328,460)
Accelerated accounting depreciation on owned assets	(638,801)	(11,782)	–	(650,583)
Fair valuation of subsidiaries and associates	(1,035,427)	463,883	–	(571,544)
Unrealised exchange gains	(8,358)	–	2,351	(6,007)
Unrealised exchange losses	(33,604)	–	–	(33,604)
	<u>2,332,917</u>	<u>3,924,305</u>	<u>276,006</u>	<u>6,533,228</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

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### 15.4 Deferred tax asset

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as Substandard under the Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Management has carried out an exercise at year end and concluded that they would be able to get deduction of provisions for the year ended December 31, 2009 that are in excess of 1% of total advances and has recognized a deferred tax asset of Rs. 792 million on such provisions.

During the year, the Federal Board of Revenue (FBR) through Circular No. 8 of 2009 dated September 25, 2009 has made the above change effective for financial year ended on December 31, 2008. The management, based on its tax consultants' opinion is of the view that the change to the Seventh Schedule, relating to the 1% capping as described above, is applicable from the financial year ended December 31, 2009 and the FBR circular in this respect is not part of the Seventh Schedule.

Further, the above amendments do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2007 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F. No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) in the Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to the said tax year for doubtful debts which were neither claimed nor allowed as tax deductible in any year shall be allowed as a deduction in the tax year in which such doubtful debts are written off.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on the advice of its tax consultants has treated the FBR commitment as effective. Accordingly, the deferred tax asset relating to provision for advances and off balance sheet items, recognized through the financial year ended December 31, 2008 amounting to Rs. 5,406 million has been carried forward.

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
(Rupees '000')			
<b>16. OTHER ASSETS</b>			
Income / mark-up accrued			
Local currency	16.1 & 16.6	4,295,713	3,049,924
Foreign currencies		31,732	23,137
Advances, deposits, advance rent and other prepayments	16.2	549,414	706,729
Advance taxation - net		964,045	242,472
Non - banking assets acquired in satisfaction of claims	16.3	611,663	24,546
Unrealized gain on forward exchange contracts - net		36,380	-
Dividend receivable		-	14,228
Receivable against sale of investments		299,210	-
Receivable from Financial and Management Services (Private) Limited		-	13,225
Stationery and stamps on hand		1,626	6,261
Advance for purchase of term finance certificates		755,832	463,000
Assets in respect of Bangladesh	16.4	425,409	425,409
Insurance claim		105,242	122,756
Management fee receivable		21,167	13,140
Others		100,980	43,712
		8,198,413	5,148,539
Liabilities in respect of Bangladesh	16.4	(342,416)	(342,416)
Rupee Borrowings from Government of Pakistan in respect of Bangladesh		(82,993)	(82,993)
Provisions held against other assets	16.5	(823,598)	(823,826)
Other assets - net of provisions		6,949,406	3,899,304

**16.1** This includes Rs. Nil (2008: Rs. 0.025 million) in respect of associated undertakings.

### **16.2 Advances, deposits, advance rent and other prepayments**

Advances	45,233	195,608
Deposits	43,507	40,009
Advance rent	340,439	396,445
Prepayments	120,235	74,667
	549,414	706,729

**16.3** Represents cost of land, plant and machinery acquired by the Bank against advances and held for resale. The market value of the subject assets as of December 31, 2009 was Rs. 667.355 million (2008: Rs. 41.101 million).

**16.4** All the assets and liabilities as of November 30, 1971 clearly identifiable as being in or in respect of the areas now under Bangladesh and referred to above were segregated as of that date and in such segregation, for purposes of conversion of foreign currency amounts, generally speaking, the parity rates ruling prior to August 15, 1971 were used, and all income accrued or due in 1971 but not received in that year and interest accrued but not due on borrowings in 1971 was eliminated. Subsequently, consequent to the assuming by Bangladesh of certain foreign currency loan obligations as of July 1, 1974, including amounts previously identified by the Bank (formerly PICIC) as its foreign currency liabilities in respect of Bangladesh, such amounts were eliminated from the books of the Bank (formerly PICIC) by reducing an equivalent sum from its related foreign assets in that area.

Arising from advices received from the lenders and as a result of diversion of shipments and of the meeting of certain contingent liabilities, there have been certain modifications to the foreign currency advances relating to Bangladesh. Furthermore, the difference between the actual amount of rupees required to remit maturities of foreign currency borrowings in respect of Bangladesh and the figures at which they appeared in the books and the interest paid to foreign lenders has been treated as increasing the rupee assets in that area.

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

The Government of Pakistan, while initially agreeing to provide the rupee finance required for discharging current maturities of foreign currency borrowings and interest related to Bangladesh, did not accept any responsibility for PICIC's assets in that area. However, following an agreement reached between PICIC and the Government of Pakistan during 1976, the Government has agreed that it would continue to provide the funds for servicing PICIC's foreign currency liabilities relating to Bangladesh and has further agreed that an amount equivalent to the rupee assets in Bangladesh financed from PICIC's own funds not exceeding Rs. 82 million would be deemed to have been allocated out of the rupee loans by the Government and that such allocated amount together with the rupee finance being provided by the Government including any interest thereon would not be recovered from PICIC until such time as PICIC recovers the related assets from Bangladesh and only to the extent of such recovery.

Accordingly, such allocated amounts, together with the rupee finance being provided by the Government for discharging the current maturities of foreign currency borrowings (including the interest and charges thereon and any exchange difference between the final rupee payment and the amount at which the liability, commitment or contingent liability as appearing in the books relating to Bangladesh) have been treated as liabilities in respect of Bangladesh. Further, in view of the aforesaid agreement no interest is being accrued on the allocated amount of rupee loans or in respect of the rupee finance provided by the Government related to PICIC's assets in Bangladesh nor is it considered necessary to provide for any loss that may arise in respect of PICIC's assets in Bangladesh.

	<b>2009</b>	<b>2008</b>
	<b>(Rupees '000')</b>	
<b>16.5 Particulars of provisions held against other assets</b>		
Opening balance	823,826	718,520
Charge for the year	19,841	322,211
Reversals	–	(117,642)
Write offs	(20,069)	(99,263)
Closing balance	<u>823,598</u>	<u>823,826</u>
<b>16.6</b> This includes a sum of Rs. 34.099 million (2008: Rs. 34.099 million) representing unrealised exchange gain, which has not been recognised as income and deferred in the financial statements, in accordance with the policy of the Group, as stated in note 6.17.		
<b>17. BILLS PAYABLE</b>		
In Pakistan	1,499,314	1,383,095
Outside Pakistan	74,893	48,989
	<u>1,574,207</u>	<u>1,432,084</u>
<b>18. BORROWINGS</b>		
In Pakistan	62,481,033	23,409,701
Outside Pakistan	42,332	241,665
	<u>62,523,365</u>	<u>23,651,366</u>
<b>18.1 Particulars of borrowings with respect to currencies</b>		
In local currency	62,481,033	23,409,701
In foreign currencies	42,332	241,665
	<u>62,523,365</u>	<u>23,651,366</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
(Rupees '000')			
<b>18.2 Details of borrowings - secured / unsecured</b>			
<b>Secured</b>			
Borrowings from SBP under			
Export Refinance Scheme	18.3	11,933,100	9,216,351
Long term finance for export oriented projects	18.4	2,361,941	2,454,233
Repurchase agreement borrowings	18.5 & 18.5.1	41,323,706	11,376,831
<b>Unsecured</b>			
Call borrowings	18.6	6,700,000	200,000
Overdrawn nostro accounts		42,332	241,665
Foreign borrowings payable in local currency	18.7	162,286	162,286
		62,523,365	23,651,366

**18.3** Borrowings from SBP under Export Refinance Scheme are subject to mark-up ranging from 6.50% to 7.00 % (2008: 6.50% ) per annum maturing within six months.

**18.4** Borrowings from SBP under Long Term Finance for Export Oriented Projects are subject to mark-up ranging from 4.90% to 6.50% (2008: 4.00% to 5.00%) per annum maturing within seven years.

**18.5** These borrowings are subject to mark-up at rates ranging from 11.60% to 12.41% (2008: 10.00% to 14.90%) per annum maturing within two months. Government securities have been given as collateral against these borrowings.

**18.5.1** This includes Rs. 100 million outstanding as at December 31, 2009, which was borrowed from a Company in 2004 against pledge of a PIB. As the lender had failed to return the pledged PIB upon the maturity of the contract period, this amount is appearing as a pending transaction with a corresponding amount appearing as investment in PIBs. No interest is accrued either as expense on this borrowing or as income from the PIB since the filing of the dispute between the Bank and the Company.

**18.6** These borrowings are subject to mark-up at rates ranging from 11.40% to 12.90% (2008: 13.50% ) per annum maturing within four months.

**18.7** The Government of Pakistan (GoP) has claimed an amount of Rs. 162.286 million in respect of liabilities against German credit representing principal amount of loan and Rs. 45.444 million as interest thereon till June 30, 2006. The principal amount has been accounted for and shown as payable to the GoP whereas interest has been accounted for in Other Liabilities (note 21). However, the Bank is contending that any amount of principal and interest is payable to the GoP only when recovered from the related Sub-borrowers, who have availed the German credit. This also includes unrealized exchange loss of Rs. 96.011 million (2008: Rs. 96.011 million) which has been netted off against unrealized exchange gain (note 21) as it is payable when recovered from sub-borrowers, who have availed the related German credit.

	2009	2008
(Rupees '000')		
<b>19. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	35,912,235	56,032,439
Savings deposits	27,598,044	22,154,522
Current accounts - Non remunerative	23,578,156	19,769,327
Margin accounts	993,430	1,067,940
<b>Financial institutions</b>		
Remunerative deposits	4,535,199	4,718,614
Non-remunerative deposits	221,814	55,250
	92,838,878	103,798,092



## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009	2008
	(Rupees '000')	
<b>19.1 Particulars of deposits</b>		
In local currency	84,897,982	94,733,555
In foreign currencies	7,940,896	9,064,537
	<u>92,838,878</u>	<u>103,798,092</u>
<b>20. SUB-ORDINATED LOANS</b>		
<b>Term Finance Certificates - Quoted, Unsecured</b>	<u>3,997,600</u>	<u>3,999,200</u>
<b>Mark-up</b>	Floating (no floor, no cap) rate of return at Base Rate + 1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))	
<b>Subordination</b>	The TFCs are subordinated to all other indebtedness of the Bank including deposits	
<b>Issue Date</b>	March 5, 2008	
<b>Issue Amount</b>	Rs. 4,000 million	
<b>Rating</b>	A+ (A plus)	
<b>Tenor</b>	8 years from the Issue Date	
<b>Redemption</b>	Ten equal semi-annual installments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual installments of 16.63% of the Issue Amount from the sixty-sixth month onwards	
<b>Maturity</b>	March 5, 2016	
<b>Call Option</b>	The Bank can also exercise a Call Option or a Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date	
	<b>Note</b>	
	<b>2009</b>	<b>2008</b>
	(Rupees '000')	
<b>21. OTHER LIABILITIES</b>		
Mark-up / return / interest payable in:		
Local currency	1,890,142	1,883,473
Foreign currencies	11,266	38,294
Unearned Income on inland bills	4,886	13,122
Accrued expenses	437,125	1,058,461
Insurance premium payable	68,155	103,461
Advance from lessees	154,752	65,329
Unclaimed dividend	45,189	45,264
Borrowing from Government of Pakistan	2,095	2,095
Branch adjustment account	310,036	72,317
Unrealized exchange loss - net	-	474,009
Security and other deposits	31,441	34,699
Payable to IBRD - Managed Fund	68,220	68,220
Payable against purchase of investments	7,574	-
Payable to workers welfare fund	17,214	-
Payable to defined benefit plan	73,960	57,057
Security deposits against lease	992,026	1,415,541
Locker claims payable	-	21,000
Others	490,081	191,026
	<u>4,604,162</u>	<u>5,543,368</u>

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 22. SHARE CAPITAL

#### 22.1 Authorized

2009	2008		2009	2008
(Number of shares)			(Rupees '000')	
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10/- each	<u>50,000,000</u>	<u>50,000,000</u>

#### 22.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10/- each

3,278,902,659	2,078,902,659	Fully paid in cash	32,789,027	20,789,027
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
<u>4,043,727,076</u>	<u>2,843,727,076</u>		<u>40,437,271</u>	<u>28,437,271</u>

**22.3** The holding company Bugis Investments (Mauritius) Pte. Limited holds 2,995,744,425 (2008: 1,795,911,770) ordinary shares.

#### 22.4 Reconciliation of number of ordinary shares of Rs. 10 each

	2009	2008
	(Number of shares)	
At the beginning of the year	2,843,727,076	2,201,796,759
Issued during the year for cash	1,200,000,000	641,930,317
At the end of the year	<u>4,043,727,076</u>	<u>2,843,727,076</u>

### 23. DEFICIT ON REVALUATION OF ASSETS - NET

#### Deficit on revaluation of available-for-sale securities

	2009	2008
	(Rupees '000')	
Market Treasury Bills	(20,547)	(16,992)
Pakistan Investment Bonds	(157,471)	(464,427)
Term Finance Certificates	(33,770)	(10,075)
Mutual Funds	417	(151,782)
Investment in Shares of Listed Companies	24,849	(949,146)
	<u>(186,522)</u>	<u>(1,592,422)</u>
Share of deficit on revaluation of securities of associates	(357,952)	(793,710)
	<u>(544,474)</u>	<u>(2,386,132)</u>
Related deferred tax asset	71,495	277,087
	<u>(472,979)</u>	<u>(2,109,045)</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009	2008
	(Rupees '000')	
<b>24. CONTINGENCIES AND COMMITMENTS</b>		
<b>24.1 Direct credit substitutes</b>		
<b>Contingent liability in respect of guarantees given favoring:</b>		
Government	222,841	52,367
Others	75,000	88,464
	297,841	140,831
<b>24.2 Transaction-related contingent liabilities / commitments</b>		
<b>Guarantees given in favor of:</b>		
Government	4,842,809	3,869,098
Others	873,666	929,175
	5,716,475	4,798,273
<b>24.3 Trade-related contingent liabilities</b>		
Letters of credit	6,353,446	7,643,035
Acceptances	1,459,864	4,233,176
	7,813,310	11,876,211
<b>24.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	469,156	382,275
<b>24.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	294,696	-
The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.		
<b>24.6 Commitments in respect of forward exchange contracts</b>		
Purchase	54,098,436	40,016,604
Sale	54,609,998	35,625,891
	108,708,434	75,642,495
<b>24.7 Commitments for the acquisition of operating fixed assets</b>	205,275	304,742
<b>24.8</b> The returns of income of NIB Bank Limited and other merged entities have been filed up to the tax year 2008 relevant to the financial year ended December 31, 2007. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC) and from tax years 2004 through 2007 for Ex-PICIC Commercial Bank Limited (Ex-PCBL). These disallowances may result in additional tax aggregating to Rs. 1,104 million respectively, which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law.		

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

The management of the Bank intends to file an appeal against the Income Tax Appellate Tribunal Order in respect of Ex-PCBL for tax years 2004 through 2007. The appeals filed in respect of Ex-PICIC are pending before the Commissioner Income Tax (Appeals). Management is confident that the eventual outcome of the cases will be in favor of the Bank.

The returns of income of PICIC AMC have been filed up to the tax year 2009 relevant to the financial year ended June 30, 2009. The tax authorities have made certain disallowances for the tax year 2006. The said disallowances may result in additional tax aggregating to Rs. 61.976 million. Appeal against the assessment is pending and the management is confident that the eventual outcome of the appeal will be in favor of the company.

	2009	2008
	(Rupees '000')	
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	12,679,321	11,403,400
On investments in:		
Available-for-sale securities	3,868,916	2,025,424
Held-to-maturity securities	462,514	465,778
On deposits with financial institutions	27,554	75,792
On securities purchased under resale agreements	1,066,747	991,914
On call money Lending	173,588	284,324
	<u>18,278,640</u>	<u>15,246,632</u>
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits and other accounts	8,760,560	8,648,484
Securities sold under repurchase agreements	2,282,740	1,003,527
Other short term borrowings	1,051,022	432,176
Long term borrowings	652,687	609,521
Others	28,792	60,358
	<u>12,775,801</u>	<u>10,754,066</u>
<b>27. GAIN ON SALE OF SECURITIES</b>		
Market Treasury Bills	158,553	18,602
Pakistan Investment Bonds	(1,906)	3,094
Term Finance Certificates	46,244	-
Ordinary shares of Listed Companies	295,584	172,181
Units / Certificates of Mutual Funds	26,051	433
Others	48,600	-
	<u>573,126</u>	<u>194,310</u>
<b>28. OTHER INCOME</b>		
Gain on disposal of property and equipment	1,553	35,110
Service charges	15,924	28,315
Rent income	3,262	1,723
	<u>20,739</u>	<u>65,148</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Note	2009	2008
(Rupees '000')			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		2,417,646	3,411,521
Charge for defined benefit plan	35.4 & 35.9	18,524	12,822
Contribution to defined contribution plan		117,851	104,886
Non-executive directors' fees, allowances and other expenses		7,038	2,809
Brokerage and commission		22,627	30,777
Rent, taxes, insurance, electricity, etc.		926,420	857,381
Legal and professional charges		103,992	142,739
Communications		284,064	278,387
Repairs and maintenance		229,106	155,012
Stationery and printing		115,402	190,363
Advertisement and publicity		73,677	83,716
Fees and subscription		86,030	68,494
Auditors' remuneration	29.1	8,758	11,211
Depreciation	13.2	468,323	501,043
Amortization	14	308,062	298,075
Donations	29.2	54	-
Traveling, conveyance and vehicle running		45,707	56,758
Security services		122,841	130,324
Fixed assets written off		1,312	76,050
Impairment of investment in associates		20,895	220,005
Intangibles written off		-	485
Others		77,347	87,966
		<u>5,455,676</u>	<u>6,720,824</u>
<b>29.1 Auditors' remuneration</b>			
Audit fee including fee for branch audit		4,600	4,969
Audit fee of consolidated financial statements		750	712
Review fee		1,310	650
Special certifications and sundry advisory services		1,425	3,845
Out-of-pocket expenses		673	1,035
		<u>8,758</u>	<u>11,211</u>
<b>29.2</b> This was paid to The Citizens Foundation in which none of the Directors or their spouses have any interest.			
<b>30. OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		1,335	59,673
Others		<u>(123,432)</u>	<u>265,598</u>
		<u>(122,097)</u>	<u>325,271</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009	2008
	(Rupees '000')	
<b>31. TAXATION</b>		
For the year		
Current	126,765	98,981
Prior years	15,958	(4,169)
Deferred	<u>(83,549)</u>	<u>(3,924,305)</u>
	<u>59,174</u>	<u>(3,829,493)</u>
<b>31.1 Relationship between tax expense and accounting profit</b>		
Accounting profit / (loss) for the year	<u>1,552,896</u>	<u>(13,008,886)</u>
Tax on income @ 35%	543,514	(4,553,110)
Effect of permanent differences	(8,187)	73,040
Effect of exempt income	(3,167)	-
Adjustment in respect of tax at reduced rates	(114,553)	(32,851)
Others	(458,204)	683,428
Minimum tax	99,771	-
Tax charge for the year	<u>59,174</u>	<u>(3,829,493)</u>
<b>32. BASIC / DILUTED EARNINGS / (LOSS) PER SHARE</b>		
Profit / (loss) after taxation (Rs. in '000')	<u>1,493,722</u>	<u>(9,179,393)</u>
Weighted average number of ordinary shares outstanding during the year (in '000')	<u>4,043,727</u>	<u>2,843,727</u>
Earnings / (loss) per share - basic / diluted (Rupees)	<u>0.37</u>	<u>(3.23)</u>
<b>33. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	8,834,275	9,357,450
Balances with other banks (net of provision)	<u>3,684,684</u>	<u>868,019</u>
	<u>12,518,959</u>	<u>10,225,469</u>
<b>34. STAFF STRENGTH</b>		
		<b>(Numbers)</b>
Permanent	4,925	5,131
Temporary / on contractual basis	<u>72</u>	<u>142</u>
Group's own staff strength at the end of the year	4,997	5,273
Outsourced	<u>1,430</u>	<u>1,656</u>
Total staff strength	<u>6,427</u>	<u>6,929</u>

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 35. DEFINED BENEFIT PLAN

**35.1** The benefits under the gratuity scheme are payable in lump sum on retirement at the age of 60 years or earlier cessation of services. The benefit is equal to one month's last drawn basic salary of each year of confirmed service, subject to a minimum of five years of service.

### 35.2 Principal actuarial assumptions

The actuarial valuation is carried out periodically. The actuarial valuation was carried out for the year ended December 31, 2009 using the "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:-

	Gratuity	
	2009	2008
- Valuation discount rate	12%	15%
- Salary increase rate	11%	14%
- Mortality rate	Based on LIC 1975-79 Ultimate Mortality table	
- Withdrawal rate	Heavy Age - Wise withdrawal rates	

Note	2009	2008	2007	2006	2005
(Rupees '000')					
<b>35.3 Reconciliation of (receivable from) / payable to defined benefit plan</b>					
Present value of defined benefit obligations	81,502	58,963	33,919	22,109	23,453
Unrecognized prior service cost	–	1,630	3,261	4,892	–
Net actuarial gains not recognized	(7,771)	(3,536)	7,326	5,858	29
	73,731	57,057	44,506	32,859	23,482
Assumed on amalgamation	–	–	(76,634)	–	–
Net liability / (receivable)	73,731	57,057	(32,128)	32,859	23,482
<b>35.4 (Income) / charge for defined benefit plan</b>					
Current service cost	13,962	10,922	10,808	9,357	11,317
Software project expense capitalized	(829)	–	–	–	–
Interest cost	6,398	3,834	2,751	1,651	1,376
Actuarial (gain) recognized	–	(303)	(281)	–	–
Amortisation of prior service cost	(1,630)	(1,631)	(1,631)	(1,631)	–
	17,901	12,822	11,647	9,377	12,693
<b>35.5 Movement in balance (receivable) / payable</b>					
Opening balance	57,057	(32,128)	32,859	23,482	10,789
Expense recognized	17,901	12,822	11,647	9,377	12,693
Software project expense capitalized	829	–	–	–	–
Benefits paid to outgoing members	(2,056)	(271)	–	–	–
	73,731	(19,577)	44,506	32,859	23,482
Assumed on amalgamation	–	76,634	(76,634)	–	–
Closing balance	73,731	57,057	(32,128)	32,859	23,482
<b>35.6 Summary of valuation results for the current and previous periods</b>					
Present value of defined benefit obligations	81,502	58,963	33,919	22,109	23,453
Fair value of plan assets	–	–	–	–	–
Deficit	81,502	58,963	33,919	22,109	23,453
Experience (gain) / loss on obligation	4,235	10,559	(1,749)	(823)	(785)

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2009	2008
<b>35.7 Reconciliation of present value of defined benefit obligations</b>	<b>(Rupees '000')</b>	
Opening balance	58,963	33,919
Current service cost	13,962	10,922
Interest cost	6,398	3,834
Benefits paid	(2,056)	(271)
Actuarial loss on obligations	4,235	10,559
Closing balance	<u>81,502</u>	<u>58,963</u>

### 35.8 Expected contribution for the next one year

The Bank provides for gratuity as per the actuary's expected charge for the next one year. Based on actuarial advice, management estimates that the charge in respect of the defined benefit plan for the year ending December 31, 2010 would be Rs. 24.727 million.

- 35.9** PICIC AMC operates an approved funded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of service as defined under the scheme. Last actuarial valuation was carried out as at June 30, 2009. The charge to the Fund for the current year amounts to Rs. 0.623 million and the balance payable to the Fund is Rs. 0.229 million as at December 31, 2009.

### 36. DEFINED CONTRIBUTION PLAN

The Group has established a provident fund scheme administered by the Board of Trustees for all permanent employees. Equal monthly contributions are made to the fund by both the Bank and the employees @ 10% of basic salary.

### 37. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees '000')					
Fees	-	-	2,344	1,714	-	-
Managerial remuneration	24,872	39,324	-	-	657,679	717,500
Charge for defined benefit plan	2,433	858	-	-	13,238	8,188
Contribution to defined						
Contribution plan	2,143	2,205	-	-	45,340	40,784
Rent and house maintenance	6,097	7,127	-	-	171,483	160,272
Utilities	1,742	2,036	-	-	48,995	45,792
Others	1,742	2,036	-	-	48,995	45,792
	<u>39,029</u>	<u>53,586</u>	<u>2,344</u>	<u>1,714</u>	<u>985,730</u>	<u>1,018,328</u>
Number of persons	<u>2</u>	<u>2</u>	<u>5</u>	<u>8</u>	<u>511</u>	<u>452</u>

The President / Chief Executive of the Bank is also provided with free use of a Bank maintained car, travel and medical insurance, security arrangements and reimbursement of household utilities, as per the terms of his employment.

The Chief Executive and certain Executives of PICIC AMC are provided with free use of Group maintained cars.

Directors fees are paid to non executive directors only.



# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 38.1 On-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
(Rupees '000')				
<b>Assets</b>				
Cash and balances with treasury banks	8,834,275	8,834,275	9,357,450	9,357,450
Balances with other banks	3,684,684	3,684,684	868,019	868,019
Lendings to financial institutions	5,681,887	5,681,887	12,459,621	12,459,621
Investments	59,496,979	57,721,376	31,135,628	29,047,185
Advances	84,021,406	84,021,406	80,344,193	80,344,193
Other assets	5,376,848	5,376,848	2,951,281	2,951,281
	<u>167,096,079</u>	<u>165,320,476</u>	<u>137,116,192</u>	<u>135,027,749</u>
<b>Liabilities</b>				
Bills payable	1,574,207	1,574,207	1,432,084	1,432,084
Borrowings	62,523,365	62,523,365	23,651,366	23,651,366
Deposits and other accounts	92,838,878	92,838,878	103,798,092	103,798,092
Sub-ordinated loans	3,997,600	3,677,792	3,999,200	3,688,000
Other liabilities	3,835,009	3,835,009	5,302,761	5,302,761
	<u>164,769,059</u>	<u>164,449,251</u>	<u>138,183,503</u>	<u>137,872,303</u>

#### 38.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>54,098,436</u>	<u>53,754,151</u>	<u>40,016,604</u>	<u>39,228,162</u>
Forward sale of foreign exchange	<u>54,609,998</u>	<u>54,292,292</u>	<u>35,625,891</u>	<u>35,313,470</u>

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

Fair values of held-to-maturity securities, sub-ordinated loans and investment in quoted associates have been stated at market values.

Fair values of unquoted equity securities have been stated at the lower of cost and Net Assets Value.

Except for investment in unquoted subsidiaries, fixed term advances of over one year, staff loans and fixed term deposits of over one year, the fair values of other on balance sheet financial assets and liabilities are not significantly different from their book values as these assets and liabilities are either short term in nature or are frequently re-priced.

The fair values of unquoted subsidiaries, fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active markets for similar assets and liabilities.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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

The Group is organised into reportable segments as disclosed in note 6.21.1. These segments are managed by respective segment heads and the results of these segments are regularly reviewed by the Group's President / Chief Executive. Segment performance is reviewed on the basis of various factors including profit before taxation.

Transactions between reportable segments are carried out on an arms length basis.

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

For the Year ended December 31, 2009						
	Corporate and Investment Banking	Small & Medium Enterprises and Commercial	Consumer and Small Enterprises	Treasury	Head Office / Other	*Adjustments
	(Rupees '000')					
Net Interest Income	169,850	1,360,095	4,103,465	428,333	(558,904)	–
Non Funded Income	212,812	293,881	315,341	787,150	965,503	–
Net Interest and non markup Income	382,662	1,653,976	4,418,806	1,215,483	406,599	–
Total expenses including provisions (excluding Impairment)	(1,098,212)	1,903,413	4,865,986	179,294	98,444	–
Impairment against Investment	–	–	–	575,705	–	–
Total expenses including provisions	(1,098,212)	1,903,413	4,865,986	754,999	98,444	–
Segment Net income / (loss) before tax	1,480,874	(249,437)	(447,180)	460,484	308,155	–
Segment Return on net assets (ROA) (%)	2.16%	(0.33%)	(0.34%)	0.60%	–	N/A
Segment Cost of funds (%)	11.35%	8.03%	7.85%	10.24%	–	N/A
For the Year ended December 31, 2008						
Net Interest Income	430,785	1,114,875	2,949,002	410,791	(412,887)	–
Non Funded Income	195,572	324,249	268,720	815,805	(1,476,145)	–
Net Interest and non markup Income	626,357	1,439,124	3,217,722	1,226,596	(1,889,032)	–
Total expenses including provisions (excluding Impairment)	6,300,648	2,489,869	7,832,105	211,239	466,095	–
Impairment against Investment	–	–	–	329,697	–	–
Total expenses including provisions	6,300,648	2,489,869	7,832,105	540,936	466,095	–
Segment Net income / (loss) before tax	(5,674,291)	(1,050,745)	(4,614,383)	685,660	(2,355,127)	–
Segment Return on net assets (ROA) (%)	(10.88%)	(1.43%)	(3.93%)	1.29%	–	N/A
Segment Cost of funds (%)	10.43%	7.22%	6.72%	9.58%	–	N/A
As at December 31, 2009						
Segment Assets (Gross)	60,818,284	47,006,481	81,323,632	75,837,915	4,991,956	(47,113,248)
Segment Non Performing Loans	15,704,688	4,439,824	3,190,204	–	94,810	–
Segment Provision (including general provisions)	12,453,510	2,021,756	1,431,033	–	73,052	–
Segment Assets (Net)	48,364,774	44,984,725	79,892,599	75,837,915	4,918,904	(47,113,248)
Segment Liabilities	44,384,145	32,632,054	61,727,499	71,869,820	2,037,942	(47,113,248)
As at December 31, 2008						
Segment Assets (Gross)	48,889,520	51,644,530	82,629,574	36,050,795	4,967,577	(30,507,481)
Segment Non Performing Loans	17,628,565	2,005,142	2,731,618	–	92,487	–
Segment Provision (including general provisions)	14,104,484	1,016,573	1,764,744	–	92,487	–
Segment Assets (Net)	34,785,036	50,627,957	80,864,830	36,050,795	4,875,090	(30,507,481)
Segment Liabilities	30,495,873	39,013,655	63,110,622	34,726,619	1,584,822	(30,507,481)

\* The respective segment assets and liabilities incorporate intersegment lending and borrowing, with appropriate transfer pricing. The adjustments column eliminates intersegment lending and borrowing.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 40. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its holding company (refer note 1), unconsolidated subsidiaries, (refer note 11.12), associated undertakings (refer note 11.11), employee benefit plans (refer note 35), and its key management personnel.

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties.

The detail of transactions with related parties is given below:

	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees '000')										
<b>40.1 Balances outstanding as at the year end</b>										
<b>Advances</b>										
At the beginning of the year	-	-	-	-	305,248	7,545	104,275	146,633	-	-
Addition during the year	-	-	-	-	300,000	807,686	92,848	44,298	-	-
Repaid during the year	-	-	-	-	(605,248)	(509,983)	(24,217)	(86,656)	-	-
At the end of the year	-	-	-	-	-	305,248	172,906	104,275	-	-
<b>Deposits</b>										
At the beginning of the year	66,809	43,089	268	84	510,344	322,425	34,718	9,257	264,199	84,272
Deposits during the year	-	22,987	6	358	32,224,078	40,012,702	198,828	175,862	5,798,384	4,953,083
Exchange difference	1,376	4,765	-	-	-	-	-	-	-	-
Withdrawal during the year	(1,880)	(4,032)	(274)	(174)	(31,598,427)	(39,824,783)	(225,765)	(150,401)	(5,950,121)	(4,773,156)
At the end of the year	66,305	66,809	-	268	1,135,995	510,344	7,781	34,718	112,462	264,199
<b>Investment in shares / mutual funds</b>										
At the beginning of the year	-	-	724	724	2,242,420	5,097,054	-	-	191,968	191,968
Investments made during the year	-	-	-	-	60,000	45,000	-	-	-	-
Investments sold during the year	-	-	-	-	(283,751)	-	-	-	(7,822)	-
Equity accounting method adjustments	-	-	-	-	1,033,632	(2,899,634)	-	-	-	-
At the end of the year	-	-	724	724	3,052,301	2,242,420	-	-	184,146	191,968
<b>Receivables</b>										
At the end of the year	133	133	-	-	24,167	18,140	-	-	2,211	2,096
<b>Insurance claim receivable</b>										
At the end of the year	-	-	-	-	84,083	101,207	-	-	-	-
<b>Payables</b>										
At the end of the year	2,563	946	-	-	-	-	-	-	498	-
<b>Brokerage payable</b>										
At the end of the year	-	-	-	-	-	-	-	-	161	136
<b>Payable to Directors</b>										
At the end of the year	-	-	-	-	-	-	-	-	-	5,682
<b>Insurance premium payable</b>										
At the end of the year	-	-	-	-	4,691	296	-	-	-	-
<b>Sub-ordinated loans</b>										
At the end of the year	-	-	-	-	-	-	-	-	49,970	-

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees '000')									
<b>40.2 Income / expense for the year</b>										
Mark-up / return / interest earned on advances	-	-	-	-	8,963	8,049	5,840	5,501	-	-
Mark-up / return / interest expensed on deposits	-	-	-	-	198,350	98,562	480	243	39,217	6,969
Dividend income from shares / mutual funds	-	-	-	-	154,098	241,016	-	-	10,874	4,531
Brokerage expense	-	-	-	-	-	-	-	-	2,348	1,937
Directors remuneration	-	-	-	-	-	-	-	-	2,344	1,714
Directors traveling expense	4,694	1,095	-	-	-	-	-	-	-	-
Insurance premium expense	-	-	-	-	6,297	67,757	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	160,924	212,973	-	-
Contribution to Provident Fund	-	-	-	-	-	-	-	-	119,249	91,122
Mark-up expense on sub-ordinated loans	-	-	-	-	-	-	-	-	7,163	-
Management fee earned	-	-	-	-	223,509	323,581	-	-	-	-

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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

#### 41.1 Scope of Application

Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by the SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted the Standardized Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The current requirement for CAR is 10% as per BSD Circular No. 07 dated April 15, 2009.

#### 41.2 Capital Structure

The Group's regulatory capital base comprises of:

- Tier I capital which includes share capital, reserves and accumulated losses / unappropriated profit
- Tier II capital which consists of sub-ordinated loans (subject to 50% of eligible Tier 1 capital), revaluation reserves (subject to 45% of balance in revaluation reserve) and general provision for loan losses (subject to 1.25% of Risk Weighted Assets)

The issued, subscribed and paid-up capital of the Bank was Rs. 40,437.271 million as at December 31, 2009, comprising of 4,043.727 million shares of Rs. 10 each.

The sub-ordinated loans amounting to Rs. 3,997.600 million represents unsecured TFCs of the Bank. The amount raised through the issue contributed towards the Bank's Tier II capital for Capital Adequacy Ratio as per the guidelines of the SBP.

Details of the Group's regulatory capital are as under:

	Note	2009	2008
(Rupees '000')			
<b>Tier I Capital</b>			
Fully paid-up capital		40,437,271	28,437,271
Share premium		8,246,618	8,246,618
Share deposit money		–	12,000,000
Statutory and general reserves		218,276	80,066
Accumulated loss		(7,081,729)	(8,382,793)
		<u>41,820,436</u>	<u>40,381,162</u>
Less:			
Goodwill and intangibles	41.2.1	24,860,657	24,307,993
Deficit on account of revaluation of investments held as available-for-sale		544,474	2,386,132
Other deductions (represents 50% of significant associates)	41.2.1	400,909	288,442
		<u>16,014,396</u>	<u>13,398,595</u>
<b>Total Tier I Capital</b>			
<b>Tier II Capital</b>			
Subordinated Debt (upto 50% of total Tier I Capital)		3,997,600	3,999,200
General Provision for loan losses (subject to 1.25% of Total Risk Weighted Assets)		232,894	262,773
Less:			
Other deductions (represents 50% of significant associates)	41.2.1	(400,909)	(288,442)
		<u>3,829,585</u>	<u>3,973,531</u>
<b>Total Tier II Capital</b>			
<b>Eligible Tier III Capital</b>			
Total Regulatory Capital Base	(a)	<u>19,843,981</u>	<u>17,372,126</u>

41.2.1 The SBP has granted the Group exemption from deduction of the following from Tier I and Tier II capital.

- Intangible assets (excluding Goodwill and Computer software) amounting to Rs. 3,809.340 million (2008: Rs. 4,083.171 million) arising from the acquisition of PICIC and PCBL; and
- PICIC AMC's investment in PICIC Investment Fund (PIF) and PICIC Energy Fund (PEF) amounting to Rs. 705.606 million (2008: Rs. 447.439 million) and Rs. 157.259 million (2008: Rs. 77.024 million) respectively.

The above exemptions have been granted upto December 31, 2009.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 41.3 Capital Adequacy

The purpose of capital management at the Group is to ensure efficient utilization of capital in relation to business requirements, growth, risk appetite, shareholders' returns and expectations.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions, regulatory requirements and the risk profile of its activities. In order to maintain or adjust the capital structure, the Bank may issue capital / Tier II securities.

The Group's capital adequacy ratio as at December 31, 2009 was 19.46% compared to the minimum regulatory requirement of 10%. The Group ensures adherence to SBP's requirements by monitoring its capital adequacy on a regular basis.

Banking operations are categorised as either Trading book or Banking book, and Risk-Weighted Assets are determined according to SBP requirements that seek to reflect the varying levels of risk attached to the Group's On and Off-balance sheet exposures.

Collateral, if any, is used as an outflow adjustment. Risk weights notified are applied to Net Adjusted Exposure.

Cash and near Cash collateral includes Government of Pakistan securities, shares listed on the stock exchanges, cash and cash equivalents (deposits / margins, lien on deposits).

The Group has complied with all regulatory capital requirements during the year.

The capital requirement for the Group as per the major risk categories is indicated below:

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	(Rupees '000')			
<b>Credit Risk</b>				
Corporate	3,595,914	3,009,401	35,959,135	33,437,790
Sovereign	4,520	-	45,204	-
Retail	2,526,923	2,633,269	25,269,230	29,258,549
Banks	200,268	97,798	2,002,675	1,086,648
Equity Investments	398,899	277,861	3,988,989	3,087,346
Public sector Entities	30,240	918	302,399	10,201
Past Due Loans	799,374	480,440	7,993,743	5,338,218
Claims against Residential Mortgage	75,086	54,637	750,860	607,080
Investments in premises, plant and equipment and all other fixed assets	313,585	333,686	3,135,850	3,707,620
Other assets	629,228	417,715	6,292,283	4,641,277
Off Balance Sheet Market Related Exposures	37,476	34,313	374,760	381,252
	<u>8,611,513</u>	<u>7,340,038</u>	<u>86,115,128</u>	<u>81,555,981</u>
<b>Market Risk</b>				
Interest Rate Risk	427,603	61,068	4,276,027	678,531
Equity Position Risk	-	14,644	-	162,708
Foreign Exchange Risk	6,650	4,853	66,499	53,924
	<u>434,253</u>	<u>80,565</u>	<u>4,342,526</u>	<u>895,163</u>
<b>Operational Risk</b>	1,149,985	962,314	11,499,847	10,692,379
<b>TOTAL</b>	<u>10,195,751</u>	<u>8,382,917</u>	<u>101,957,501</u>	<u>93,143,523</u>
	(b)			
<b>Capital Adequacy Ratio</b>			<b>2009</b>	<b>2008</b>
			(Rupees '000')	
Total eligible regulatory capital held			19,843,981	17,372,126
Total Risk Weighted Assets			101,957,501	93,143,523
Capital Adequacy Ratio	(a) / (b)		<u>19.46%</u>	<u>18.65%</u>

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 41.4 Types of Exposures and ECAIs used

The Bank uses external ratings from local and foreign rating agencies. The Bank has obtained ratings from websites of External Credit Assessment Institutions (ECAIs) and followed the SBP rating grade for mapping.

Exposures	JCR-VIS	PACRA	Fitch	Moody's	Standard & Poor
Corporate	✓	✓	–	–	–
Sovereigns	–	–	–	–	–
Retail	–	–	–	–	–
Banks	✓	✓	✓	✓	✓

### 41.5 Credit exposure subject to Standardized Approach

Exposure	2009			
	(Rupees '000')			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	780,952	–	780,952
Corporate	2	2,781,711	334,901	2,446,810
Corporate	3,4	52,155	–	52,155
Corporate	5,6	51,012	–	51,012
Corporate	Unrated	36,315,133	1,864,266	34,450,867
<b>Retail</b>		37,663,988	3,971,681	33,692,307
<b>Banks</b>				
- Over 3 Months	1	1,185,951	–	1,185,951
- Over 3 Months	2,3	648,990	310,265	338,725
- Over 3 Months	4,5	–	–	–
- Over 3 Months	Unrated	300,181	–	300,181
- Maturity Upto and under 3 Months in FCY	1,2,3	3,071,535	–	3,071,535
- Maturity Upto and under 3 Months in FCY	4,5	–	–	–
- Maturity Upto and under 3 Months in FCY	6	–	–	–
- Maturity Upto and under 3 Months in FCY	Unrated	616,353	–	616,353
- Maturity Upto and under 3 Months in PKR	Unrated	6,628,426	3,086,158	3,542,268
<b>Public Sector Entities</b>	Unrated	751,548	268,505	483,043
<b>Sovereigns</b>		29,484,811	–	29,484,811
<b>Others</b>		25,720,821	–	25,720,821
<b>Total</b>		<b>146,053,567</b>	<b>9,835,776</b>	<b>136,217,791</b>

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 42. RISK MANAGEMENT

While the overall responsibility of risk management rests with the Board of Directors, the Bank's senior management has implemented a risk management framework with well defined policies and procedures, duly approved by the Board, for mitigating, monitoring and controlling risks.

The Board of Directors of the Bank has approved the risk management strategy of the Bank and entrusted the implementation to the Board's Risk Management Committee (BRMC).

The Integrated Risk Management Committee (IRMC) is responsible for reviewing and highlighting key risk issues that require senior management's attention. IRMC comprises of members from business units and the risk functions. An enterprise level assessment of risk composition is made at this platform and where necessary, recommendations are made to improve upon processes and procedures to further strengthen the risk framework.

Risk management heads for the business segments report to the integrated risk management head. For the CSEG and SMEC businesses, they also report to the business head. The risk management heads are responsible for ensuring the implementation of the Bank's risk framework in their respective domains in line with the business model of the Bank and also in compliance with SBP guidelines.

The Bank also conducts stress testing analysis across portfolios, by anticipating changes and applying shocks of different intensity values, thereby evaluating their effects on the value of the portfolios.

#### 42.1 Credit Risk

Credit risk is the risk of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend and contingent liabilities, such as letters of credit, repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions.

The objective of credit risk management by the Bank is to ensure that the risk of default by a client or counterparty is reduced to a minimum, keeping in view the risk management policies of the Bank.

The Bank has established an appropriate credit risk environment which is operating under a sound credit-granting process, maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate controls.

A credit approval process has been defined and is followed by all businesses in the Bank. Initial credit approvals and extensions are only approved by Credit Committees established at various levels. In order to measure credit risk, an internally developed rating system is followed, which addresses Basel – II requirements.

Following are the basic guiding principles of credit risk management that are embedded in the Bank and across business segments:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.
- A well constituted organizational structure clearly defining roles and responsibilities of individuals involved in taking as well as managing risk.
- An effective management information system that ensures flow of information from the operational level to top management and a system to address any exceptions observed.
- An effective mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.
- Review of portfolios by BRMC on a quarterly basis and by IRMC on a monthly basis to evaluate the health of the portfolio.





# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 42.1.1.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Public / Government	5,777,183	5.78	12,131,321	13.07	2,245,237	1.82
Private	94,223,574	94.22	80,707,557	86.93	121,259,950	98.18
	<u>100,000,757</u>	<u>100.00</u>	<u>92,838,878</u>	<u>100.00</u>	<u>123,505,187</u>	<u>100.00</u>
	2008					
Public / Government	1,019,821	1.05	20,597,285	19.84	3,921,465	4.21
Private	96,302,660	98.95	83,200,807	80.16	89,223,362	95.79
	<u>97,322,481</u>	<u>100.00</u>	<u>103,798,092</u>	<u>100.00</u>	<u>93,144,827</u>	<u>100.00</u>

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees '000')			
Agriculture, Forestry, Hunting and Fishing	35,791	4,733	497	124
Automobile and Transportation Equipment	368,430	368,430	380,198	365,005
Cement, Glass and Ceramics	1,071,888	759,816	1,156,943	848,274
Chemicals and Pharmaceuticals	345,711	237,654	309,720	295,666
Construction	342,789	103,274	155,891	74,365
Electronics and Electrical Appliances	261,762	214,089	745,766	309,069
Engineering	616,824	532,536	570,054	490,972
Financial	4,995	3,527	-	-
Food and Beverages	318,148	261,955	304,645	292,528
Footwear and Leather Garments	69,376	66,076	63,754	59,771
Individuals	1,997,960	675,157	2,442,253	1,498,016
Mining and Quarrying	5,521	716	-	-
Oil and Gas	9,851	7,337	-	-
Paper and Printing	191,736	175,517	174,233	168,200
Power, Gas, Water and Sanitary	439,881	236,146	467,638	250,939
Services	349,259	179,243	73,446	56,210
Sugar	1,129,272	791,249	1,196,256	854,872
Textile	11,087,571	8,658,417	11,225,043	9,056,623
Transport, Storage and Communication	814,417	669,334	589,136	485,410
Wholesale and Retail Trade	3,068,280	1,334,106	1,600,884	950,534
Others	900,064	467,145	1,001,455	658,937
	<u>23,429,526</u>	<u>15,746,457</u>	<u>22,457,812</u>	<u>16,715,515</u>

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

Public / Government	-	-	-	-
Private	23,429,526	15,746,457	22,457,812	16,715,515
	<u>23,429,526</u>	<u>15,746,457</u>	<u>22,457,812</u>	<u>16,715,515</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

42.1.1.5 Geographical Segment Analysis	2009			
	Profit / (loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees '000')			
Pakistan	1,552,896	206,885,669	41,347,457	123,505,187
	2008			
Pakistan	(13,008,886)	176,696,227	38,272,117	93,144,827

### 42.2 Market Risk

Market risk is primarily composed of price risk and arises out of treasury trading and investment activities. It is the risk that the value of on and off balance sheet positions of the Bank will be adversely affected by movements in market rates or prices.

The Bank recognizes that it may be exposed to market risk in a variety of ways. Market risk exposure may be explicit in the portfolio of equities and foreign currencies that are actively traded. Conversely, it may be implicit, such as interest rate risk due to mismatch of loans and deposits. Market risk may also arise from activities categorized as off balance sheet items.

#### 42.2.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The core objective of foreign exchange risk management is to ensure that the exposure of the Bank remains within desired levels of risk appetite.

Furthermore, the Bank monitors Value at Risk (VaR) and Price Value Basis Point (PVBp) for the foreign exchange portfolio in order to estimate any potential losses due to changes in price. The Bank also monitors maturity mismatch gaps to identify any potential risks.

The Bank has implemented global / regulatory best practices in order to manage the inherent risk of product and market, such as credit limits, monitoring of foreign exchange exposure limits, review of mark to market portfolio etc.

	2009			Net foreign currency exposure
	Assets	Liabilities	Off balance sheet items	
	(Rupees '000')			
Pakistan Rupee	198,267,892	157,572,669	511,563	41,206,786
United States Dollar	7,910,822	5,428,190	(2,476,479)	6,153
Great Britain Pound	177,869	1,299,944	1,182,588	60,513
Euro	477,273	1,209,010	782,328	50,591
Japanese Yen	11,059	5	-	11,054
Swiss Franc	23,957	19,861	-	4,096
Others	16,797	8,533	-	8,264
	<u>206,885,669</u>	<u>165,538,212</u>	<u>-</u>	<u>41,347,457</u>

## Notes to the Consolidated Financial Statements For the year ended December 31, 2009

	2008			Net foreign currency exposure
	Assets	Liabilities	Off balance sheet items	
	(Rupees '000')			
Pakistan Rupee	171,291,066	129,030,138	(3,963,632)	38,297,296
United States Dollar	4,520,301	6,997,884	2,438,132	(39,451)
Great Britain Pound	227,212	1,197,681	964,159	(6,310)
Euro	607,700	1,177,044	561,341	(8,003)
Japanese Yen	12,016	49	-	11,967
Swiss Franc	16,491	14,024	-	2,467
Others	21,441	7,290	-	14,151
	<u>176,696,227</u>	<u>138,424,110</u>	<u>-</u>	<u>38,272,117</u>

### 42.2.2 Equity price risk and Fixed Income rate risk

The Bank has a set of approved notional & dealer limits for managing risk across the trading & banking book. In order to manage the market risk in the trading book, the Bank periodically applies a VaR methodology to assess the market risk positions held. Currently the Bank is using variance covariance model for calculating VaR across both the equity & fixed income portfolios.

Equity Price Risk is the risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Bank. Price risk associated with equities could be systemic or idiosyncratic. The Bank is also using Market Risk tools such as Alpha, Beta and Sharpe ratio for risk measurement and assessment.

Fixed income securities are subject to the risk of price volatility due to interest rate movements. Fixed rate debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. The Bank is using Market Risk tools such as PVBP, Duration, Parallel shift and Non Parallel shift for risk measurement and assessment.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

### 4.2.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

2009

Effective Yield / Interest rate	Exposed to Yield / Interest rate risk									Not-interest bearing financial instruments	
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
..... (Rupees '000) .....											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	8,834,275	1,233,705	-	-	-	-	-	-	-	-	7,600,570
Balances with other banks	3,684,684	3,311,330	-	-	-	-	-	-	-	-	373,354
Lendings to financial institutions	5,681,887	5,321,887	360,000	-	-	-	-	-	-	-	-
Investments	59,496,979	100,015	3,367,623	18,909,992	24,988,256	1,405,060	889,667	4,958,972	46,236	628,668	4,202,490
Advances	84,021,406	7,619,594	48,894,939	12,592,539	2,282,002	3,985,726	3,115,557	3,973,945	899,647	677,457	-
Other assets	5,376,848	-	-	470,832	-	-	-	-	-	-	4,906,016
	167,096,079	17,586,531	52,622,562	31,973,363	27,250,258	5,390,786	4,005,224	8,932,917	945,883	1,306,125	17,082,430
<b>Liabilities</b>											
Bills payable	1,574,207	-	-	-	-	-	-	-	-	-	1,574,207
Borrowings	62,523,365	45,121,109	5,780,925	9,498,678	270,770	387,841	337,411	861,019	265,612	-	-
Deposits and other accounts	92,838,878	10,425,747	18,819,204	32,767,986	4,650,751	780,000	361,388	240,402	-	-	24,793,400
Sub-ordinated loans	3,997,600	-	3,997,600	-	-	-	-	-	-	-	-
Other liabilities	3,835,009	-	-	-	-	-	-	-	-	-	3,835,009
	164,769,059	55,546,856	28,597,729	42,266,664	4,921,521	1,167,841	698,799	1,101,421	265,612	-	30,202,616
<b>On-balance sheet gap</b>	<b>2,327,020</b>	<b>(37,960,325)</b>	<b>24,024,833</b>	<b>(10,293,301)</b>	<b>22,328,737</b>	<b>4,222,945</b>	<b>3,306,425</b>	<b>7,831,496</b>	<b>680,271</b>	<b>1,306,125</b>	<b>(13,120,186)</b>
<b>Off-balance sheet financial instruments</b>											
Foreign exchange contracts - purchase	54,098,436	16,997,554	28,754,551	7,378,361	967,970	-	-	-	-	-	-
Foreign exchange contracts - sale	54,609,998	18,178,682	29,944,602	6,486,714	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>(511,562)</b>	<b>(1,181,128)</b>	<b>(1,190,051)</b>	<b>891,647</b>	<b>967,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>	<b>(99,141,453)</b>	<b>(99,141,453)</b>	<b>22,834,782</b>	<b>(9,401,654)</b>	<b>23,296,707</b>	<b>4,222,945</b>	<b>3,306,425</b>	<b>7,831,496</b>	<b>680,271</b>	<b>1,306,125</b>	<b>(13,120,186)</b>
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>	<b>(99,141,453)</b>	<b>(99,141,453)</b>	<b>(16,306,671)</b>	<b>(25,708,325)</b>	<b>(2,411,618)</b>	<b>1,811,327</b>	<b>5,117,752</b>	<b>12,949,248</b>	<b>13,629,519</b>	<b>14,935,644</b>	<b>1,815,458</b>

# Notes to the Consolidated Financial Statements For the year ended December 31, 2009

2008

Effective Yield / Interest rate	Total	Exposed to Yield / Interest rate risk							Not-interest bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years	Above 10 Years
		(Rupees '000')									
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
0.90%	9,357,450	1,326,446	-	-	-	-	-	-	-	-	8,031,004
0.25%	868,019	741,802	-	-	-	-	-	-	-	-	126,217
14.10%	12,459,621	10,209,752	2,249,869	-	-	-	-	-	-	-	-
11.93%	31,135,628	4,131,258	9,532,558	6,739,478	-	-	1,288,886	3,921,939	1,636,703	261,036	3,617,999
15.17%	80,344,193	3,143,488	61,118,000	1,599,136	1,578,646	1,858,115	4,725,879	4,530,749	1,227,609	562,571	-
-	2,951,281	-	-	-	-	-	-	-	-	-	2,951,281
	137,116,192	19,552,746	72,900,427	8,338,614	1,578,646	1,863,886	6,014,765	8,452,688	2,864,312	823,607	14,726,501
<b>Liabilities</b>											
-	1,432,084	-	-	-	-	-	-	-	-	-	1,432,084
9.42%	23,651,366	12,536,759	5,852,819	2,989,216	216,564	569,607	367,533	607,002	511,866	-	-
10.08%	103,798,092	21,255,288	12,780,635	31,052,150	15,130,040	1,021,241	976,550	688,880	300	-	20,893,008
14.98%	3,999,200	-	3,999,200	-	-	-	-	-	-	-	-
-	5,302,761	-	-	-	-	-	-	-	-	-	5,302,761
	138,183,503	33,792,047	22,632,654	34,041,366	15,346,604	1,590,848	1,344,083	1,295,882	512,166	-	27,627,853
	(1,067,311)	(14,239,301)	50,267,773	(25,702,752)	(13,767,958)	273,038	4,670,682	7,156,806	2,352,146	823,607	(12,901,352)
<b>On-balance sheet gap</b>											
<b>Off-balance sheet financial instruments</b>											
	40,016,604	20,571,710	13,171,908	5,616,886	656,100	-	-	-	-	-	-
	35,625,891	14,013,692	11,312,958	10,299,241	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>											
	4,390,713	6,558,018	1,858,950	(4,682,355)	656,100	-	-	-	-	-	-
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>											
	(7,681,283)	52,126,723	(30,385,107)	(13,111,858)	4,670,682	273,038	4,670,682	7,156,806	2,352,146	823,607	(12,901,352)
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>											
	(7,681,283)	44,445,440	14,060,333	948,475	5,892,195	1,221,513	5,892,195	13,049,001	15,401,147	16,224,754	3,323,402

# Notes to the Consolidated Financial Statements For the year ended December 31, 2009

## 42.3 Liquidity Risk

Liquidity risk exposure is the risk caused, among others, by the inability of the Group to settle its liabilities on their due dates.

The Bank's objective of liquidity management is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The liquidity risk policy is formulated keeping in view SBP's guidelines on risk management and international best practices. The Bank maintains its liquidity by keeping a level of liquid assets that is considered sufficient to settle its obligations when due.

The Bank manages its liquidity risk through

- Controlling the cash flow mismatch between on- and off-balance sheet assets and liabilities;
- Maintaining stable and diversified sources of funding;
- Ensuring the Bank has the right asset portfolio mix and sufficient liquid assets on hand in relation to its daily cash flows.

The Bank carries out careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business. Exposure to liquidity risk is also monitored through regular review of liquidity risk limits and escalation of any liquidity risk limit excesses to senior management.

### 42.3.1 Maturities of assets and liabilities

	2009									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	8,834,275	8,834,275	-	-	-	-	-	-	-	-
Balances with other banks	3,684,684	3,684,684	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,681,887	5,321,887	360,000	-	-	-	-	-	-	-
Investments	59,496,979	100,018	4,322,690	14,820,172	25,131,865	1,718,946	2,104,939	7,551,037	373,751	3,373,561
Advances	84,021,406	49,940,878	3,597,391	10,427,559	2,314,047	5,707,139	4,666,797	5,058,361	1,521,940	787,294
Operating fixed assets	3,135,850	47,007	146,404	132,494	255,413	299,656	198,041	236,309	197,053	1,623,473
Intangible assets	28,669,997	30,824	61,517	91,976	183,395	360,624	338,012	622,873	1,032,578	25,948,198
Deferred tax assets	6,411,185	124,238	248,479	360,013	1,110,730	1,434,017	1,434,017	2,430,441	(999,999)	269,249
Other assets	6,949,406	694,327	4,615,070	386,328	1,048,211	102,246	38,483	61,254	3,487	-
	206,885,669	68,778,138	13,351,551	26,218,542	30,043,661	9,622,628	8,780,289	15,960,275	2,128,810	32,001,775
<b>Liabilities</b>										
Bills payable	1,574,207	1,574,207	-	-	-	-	-	-	-	-
Borrowings	62,523,365	45,121,109	5,780,925	9,498,678	270,770	387,841	337,411	861,019	265,612	-
Deposits and other accounts	92,838,878	65,693,443	18,819,204	2,293,690	4,650,751	780,000	361,388	240,402	-	-
Sub-ordinated loans	3,997,600	-	800	-	800	1,600	1,600	1,996,800	1,996,000	-
Other liabilities	4,604,162	1,787,847	2,014,137	211,230	319,281	145,472	33,336	19,121	73,738	-
	165,538,212	114,176,606	26,615,066	12,003,598	5,241,602	1,314,913	733,735	3,117,342	2,335,350	-
<b>Net assets</b>	41,347,457	(45,398,468)	(13,263,515)	14,214,944	24,802,059	8,307,715	8,046,554	12,842,933	(206,540)	32,001,775
Share capital	40,437,271									
Reserves	8,464,894									
Accumulated loss	(7,081,729)									
	41,820,436									
Deficit on revaluation of assets-net	(472,979)									
	41,347,457									

# Notes to the Consolidated Financial Statements For the year ended December 31, 2009

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

		2008								
		(Rupees '000')								
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	9,357,450	9,357,450	—	—	—	—	—	—	—	—
Balances with other banks	868,019	868,019	—	—	—	—	—	—	—	—
Lendings to financial institutions	12,459,621	10,209,752	2,249,869	—	—	—	—	—	—	—
Investments	31,135,628	3,709,882	11,246,444	5,349,361	59,450	196,083	2,005,372	4,258,692	1,725,534	2,584,810
Advances	80,344,193	43,924,478	7,206,097	3,067,495	3,523,371	5,283,442	7,669,065	7,011,143	1,624,434	1,024,668
Operating fixed assets	3,707,620	191,556	222,787	215,894	263,945	405,259	242,345	302,172	141,008	1,722,654
Intangible assets	28,391,164	24,237	48,475	72,712	145,424	247,210	289,601	514,644	130,461	26,918,400
Deferred tax assets	6,533,228	43,199	86,398	129,597	260,582	(81,721)	(81,721)	55,532	492,930	5,628,432
Other assets	3,899,304	26,283	98,706	3,169,006	371,354	121,678	43,001	68,527	749	—
	176,696,227	88,354,866	21,158,776	12,004,065	4,624,126	6,181,951	10,167,663	12,210,710	4,115,116	37,878,964
<b>Liabilities</b>										
Bills payable	1,432,084	1,432,084	—	—	—	—	—	—	—	—
Borrowings	23,651,366	12,536,759	5,852,819	2,989,216	216,564	569,607	367,533	607,002	511,866	—
Deposits and other accounts	103,798,092	66,868,429	12,780,635	6,332,017	15,130,040	1,021,241	976,550	688,880	300	—
Sub-ordinated loans	3,999,200	—	800	—	800	1,600	1,600	667,733	3,326,667	—
Other liabilities	5,543,368	1,994,225	311,311	2,276,261	577,101	164,091	130,130	33,192	57,057	—
	138,424,110	82,831,497	18,945,565	11,597,494	15,924,505	1,766,539	1,475,813	1,996,807	3,895,890	—
<b>Net assets</b>	<b>38,272,117</b>	<b>(14,476,641)</b>	<b>2,213,211</b>	<b>406,571</b>	<b>(11,300,379)</b>	<b>4,425,412</b>	<b>8,691,850</b>	<b>10,213,903</b>	<b>219,226</b>	<b>37,878,964</b>
Share capital	28,437,271									
Share deposit money	12,000,000									
Reserves	8,326,684									
Accumulated loss	(8,382,793)									
	40,381,162									
Deficit on revaluation of assets-net	(2,109,045)									
	38,272,117									

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.



# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2009

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### 42.4 Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The key objectives of Operational Risk measurement and management include:

- Ensuring continued solvency of the Bank through capital adequacy and enhanced understanding and management of significant operational risk exposures.
- Ensuring that customer impact is minimized through proactive and focused risk management practices.
- Ensuring senior management attention on significant operational risk exposure areas and that risk mitigation is given prioritized focus.

The IRMC has the responsibility to supervise and direct the management of operational risks and key operational risk exposures. The IRMC is also responsible for ensuring that adequate and appropriate policies and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

The Bank has undertaken the following high-level strategic initiatives for the effective implementation of Operational Risk Management:

- Recruiting skilled resources for Operational Risk Management.
- Developing policies, procedures and defining end to end information flow to establish a vigorous governance infrastructure.

### 43. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 26, 2010 by the Board of Directors of the Group.

**Khawaja Iqbal Hassan**  
President / Chief Executive

**Francis A. Rozario**  
Chairman / Director

**Asif Joona**  
Director

**Syed Aamir Zahidi**  
Director

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up				
						Others	Total			
1	AHMEDI KHATOON, A-3106 PHASE II, GULSHAN-E-HADEED BIN QASIM TOWN, KARACHI	AHMEDI KHATOON	42501-8367583-4	MOHUDDIN AHMED QADRI	658	55	713	658	55	713
2	RAJA KHURRAM SHAHZAD, POST OFFICE STOP KALAN TEHSIL & DISTRICT 35, ISLAMABAD.	RAJA KHURRAM SHAHZAD	61101-1759279-3	MUHAMMAD NAZIR RAJA	473	44	517	473	44	517
3	MUHAMMAD RASHID, FLAT NO. 27 BLOCK C5 RABIA FLOWER ABUL ASPHANI ROAD GULSHAN-E-IQBAL, KARACHI	MUHAMMAD RASHID	42401-7517058-5	MUHAMMAD AFSHAD	483	39	522	483	39	522
4	ADNAN SAIED, FLAT NO. 27 2ND FLOOR FALAK NAZ CENTRE MAIN SHARPAHE-FAISAL, KARACHI	ADNAN SAIED	42201-4418072-9	MUHAMMAD SAIED	677	50	727	677	50	727
5	MUHAMMAD YOUSAF, HOUSE NO. 25 STREET NO. 05 REHMAN GANJ KHOKHAR ROAD BADAMI BAGH, LAHORE	MUHAMMAD YOUSAF	35202-2753273-3	IOBAL HUSSAIN	802	70	872	802	70	872
6	BASIT HAMEED, FLAT NO. A-3 BEDROCK APARTMENT RAMSEY ROAD FRERE TOWN, KARACHI	BASIT HAMEED	42301-7952967-3	S. A. HAMEED	481	51	532	481	51	532
7	TARIQ MEHMOOD, HOUSE NO. 941 D TYPE COLONY, 36, FAISALABAD	TARIQ MEHMOOD	33100-1941986-1	KHAUL MUHAMMAD	535	45	580	535	45	580
8	NAVEED AHMED KHAN, FLAT NO. C/10 GROUND FLOOR PLOT NO. FL/12 SECTOR NO. 5/X NORTH KARACHI, KARACHI	NAVEED AHMED KHAN	42101-5060733-9	MUHAMMAD RASHEED	540	40	580	540	40	580
9	SADIA AMIR, FARHAT COTTAGE STREET NO. 15 MIAN GHULAM QADIR ROAD SWAMI NAGAR, LAHORE	SADIA AMIR	35202-2618206-6	AMIR ANJUM	470	38	508	470	38	508
10	ABDUL BASIT, HOUSE NO. A-37/1 MALIR TOSEE COLONY KHOKRAPAR, KARACHI	ABDUL BASIT	42501-6387417-7	MUHAMMAD SIDDIQUE	677	50	727	677	50	727
11	SHAHID ALI, HOUSE NO. 29-1 STREET NO. 1 MUHAMMADI KOT BAND ROAD, NEAR REHMAT BAKERS, LAHORE	SHAHID ALI	35202-3469320-3	SHARAFAT ALI	480	42	522	480	42	522
12	RAHEEL MALIK, HOUSE 5 STREET 6 MOHALLAH BAGH MUNCHI LAHDAHA KACHA RAVI ROAD, LAHORE	RAHEEL MALIK	35202-2461848-3	MUHAMMAD ANWAR	497	41	538	497	41	538
13	MUHAMMAD IRFAN, HOUSE NO. 6 MIAN GHULAM SHAHDARA TOWN 5, LAHORE	MUHAMMAD IRFAN	35202-9442739-1	MUHAMMAD LATIF BHUTTA	677	50	727	677	50	727
14	MEHMOOD ALAM, HOUSE NO. B-44/2 TARIQ ROAD WARD NO. NAWAN SHER, MULTAN	MEHMOOD ALAM	36302-3396791-5	MUHAMMED RAFIQE TAHIR	541	50	591	541	50	591
15	SYED MUHAMMAD MUJEEB HASAN, B - 152 BLOCK NO. L NORTH INAZIMABAD, KARACHI	SYED MUHAMMAD MUJEEB HASAN	42101-4224761-5	SYED SARFARAZ HASAN	626	81	707	626	81	707
16	SALEEM JAHANGIR, HOUSE NO. NA 223-A STREET 7TH ROAD NEW MALPUR, RAWALPINDI	SALEEM JAHANGIR	37405-3556042-5	CHAUDHRY CHARAGH DIN	623	78	701	623	78	701
17	FAROOQ AHMED KHAN, HOUSE NO. D-14/1 BLOCK NO. 9 GULSHAN-E-IQBAL, KARACHI	FAROOQ AHMED KHAN	42201-9218623-7	KHURSHID AHMED KHAN	485	71	556	485	71	556
18	SAGIB AYAZ, HOUSE F-12/1 SETLITTE TOWN 26, RAWALPINDI	SAGIB AYAZ	37405-6676668-9	SHEIKH MUHAMMAD AYAZ	485	71	556	485	71	556
19	ANJUM MUSHTAQ, FLAT 4 2ND FLOOR 31 C LAIN 15 EXTENSION 2 DHA, KARACHI	ANJUM MUSHTAQ	42201-6808625-5	MUSHTAQ AHMED	461	68	529	461	68	529

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Total					
							Others					Others
20	ASGHAR ALI, HOUSE 102 SUPER MEHAL APARTMENT HASRAT MOHANI ROAD, KARACHI	ASGHAR ALI	42301-1099243-9	FAZAL HUSSAIN	454	57	511	454	57	-	511	
21	MUHAMMAD KHALID, HOUSE NO. 9 STREET NO. 3 MUHALLAH SHAHEEN PARK LAL PULL MUGHAL PURA 5, LAHORE	MUHAMMAD KHALID	35201-0610345-7	MUHAMMAD SHAFI	450	59	509	450	59	-	509	
22	SYED USMAN ALI, HOUSE 1663 1ST FLOOR IMRAN STREET 4 FEROZ PURA RAVI ROAD, LAHORE	SYED USMAN ALI	35202-2583375-7	MUHAMMAD IQBAL	436	64	500	436	64	-	500	
23	AHSAN RAZA, HOUSE 4 UPPER PORTION MAIN SUJAS ROAD, ALLAMA IQBAL COLONY SHADRA 5, LAHORE	AHSAN RAZA	35403-8661581-1	SIRAJ DEEN	522	48	570	522	48	-	570	
24	MUHAMMAD JAVED, HOUSE 222 STREET 1 JILANI PURA SARAFI BAZAR SATIANA ROAD, FAISALABAD	MUHAMMAD JAVED	33100-6605683-1	MUHAMMAD AMIN	558	52	610	558	52	-	610	
25	ABDUL SATTAR ANJUM, STREET 6 MUHAMMAD ALI PARK PINDI DASS ROAD SHADARA, LAHORE	ABDUL SATTAR ANJUM	35202-3014209-5	FACEER MUHAMMAD	519	44	563	519	44	-	563	
26	MUHAMMAD ALI SHAHID, HOUSE 25 UMER STREET SUNNY PARK SAEED KARYANA STORE MUGHAL PURA, LAHORE	MUHAMMAD ALI SHAHID	35201-9890700-5	SHAHID HAMEED AMJAD	471	39	510	471	39	-	510	
27	ABDUL WAHID, BISMILLAH PARK STREET NO.5 IQBAL SHAHEED COLONY, FAISALABAD	ABDUL WAHID	33100-4986843-5	MUHAMMAD SADIQ	486	40	526	486	40	-	526	
28	ATEEQ UR REHMAN, HOUSE NO. R-36, HILL TOWN BANGLOWS BLOCK - 3 GULLISTAN-E-JOHAR, KARACHI	ATEEQ UR REHMAN	42201-4190649-7	ABDUL GANI	622	52	674	622	52	-	674	
29	IMTIAZ AJMAL, HOUSE 176 BLOCK 1 1ST FLOOR SECTOR B II TOWN SHIP 5, LAHORE	IMTIAZ AJMAL	31302-0413236-9	ATTA ULLAH KHAN	531	45	576	531	45	-	576	
30	NADEEM SULTAN, HOUSE E-141/28 STREET 5 FIRDUS PARK GHAZI ROAD 5, LAHORE	NADEEM SULTAN	35201-4794109-9	ALLAH DITTA	500	42	542	500	42	-	542	
31	MUHAMMAD WAQAS KHURSHIED, HOUSE 388 B PAK BLOCK ALLAMA IQBAL TOWN 5, LAHORE	MUHAMMAD WAQAS KHURSHIED	33303-6105238-3	MUHAMMAD KHURSHIED AKHTAR	641	53	694	641	53	-	694	
32	TANVEER IQBAL, HOUSE 374 STREET 3-A NASEERABAD KOHINOOR MILLS PESHAWAR ROAD, RAWALPINDI	TANVEER IQBAL	37405-1726448-3	GHULAM SARWAR	780	72	852	780	72	-	852	
33	AMAN SADIQ, FLAT NO. 07 RIFFLE RANGE KORAY STOP WALTON ROAD, LAHORE	AMAN SADIQ	35201-8802503-7	SADIQ NAWAB	569	53	622	569	53	-	622	
34	TAUFEEQ AHMED, HOUSE NO. 35/8 TIPU SULTAN COLONY HASSAN PERWANA, MULTAN	TAUFEEQ AHMED	36302-8075018-1	MOHAMMAD RAFIQUE	709	60	769	709	60	-	769	
35	MOHAMMAD FERAZ, HOUSE NO. 149 BLOCK NO. 7/A JINNAH COOPERATIVE HOUSING SOCIETY HILL PARK, KARACHI	MOHAMMAD FERAZ	42201-4266001-1	HAJI QASIM	604	44	648	604	44	-	648	
36	AZEEM KHAN, HOUSE NO. 27/B-1 STREET NO. 1 BLOCK Z SCHEME NO. 2 NEAR TELENOR TOWER, LAHORE	AZEEM KHAN	35202-2526802-3	ATTA UR REHMAN KHAN	663	54	717	663	54	-	717	
37	MUDASSAR ABULLAH, HOUSE 442 KOCHA HAJI PIR INSIDE YAKI GATE 5, LAHORE	MUDASSAR ABULLAH	35202-2556548-7	MUHAMMAD ABULLAH	616	49	665	616	49	-	665	

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Total				
							Others	Total			
38	MUHAMMAD JAFAR, P-47 STREET 3 BLOCK X MAINDA TOWN, FAISALABAD	MUHAMMAD JAFAR	33100-7571388-9	MUHAMMAD ISHAQ	450	59	-	509	59	-	509
39	KASHIF PERVEZ, E-12/2 NEW SUPER TOWN 5, LAHORE	KASHIF PERVEZ	35201-5113920-9	PERVEZ AKHTAR CHOUDHRY	552	69	-	621	69	-	621
40	MOHAMMAD INAM, HOUSE 280 BUKHARI COLONY MANGHOPIR ROAD 34, KARACHI	MOHAMMAD INAM	42401-1935916-9	MOHAMMAD AFZAL HUSSAIN	541	67	-	608	67	-	608
41	AFTAB AHMAD, HOUSE 4 STREET 4 ASLAMI PARK SHAHIDRA TOWN, LAHORE	AFTAB AHMAD	35202-0827638-7	ABDUL REHMAN	517	64	-	581	64	-	581
42	LIAQUAT HUSSAIN, HOUSE NO. A/32 UMER FAROOQ TOWN KALA PUL NEAR NAVEL HEIGHTS, KARACHI	LIAQUAT HUSSAIN	42301-6142363-9	MUHAMMAD YOUNAS	481	82	-	563	82	-	563
43	SHABANA KHAWAJA MUHAMMAD, FLAT 604 BLOCK TRUFI LAKE DRIVE BLOCK 18 GULISTANE-JOHAR 34, KARACHI	SHABANA KHAWAJA MUHAMMAD	42201-3319748-4	KHAWAJA MUHAMMAD	477	81	-	558	81	-	558
44	SYED SHAFQAT ALI QADRI, FLAT B-105 HAROON HEAVEN BLOCK A SECTOR 15 AT BUFFER ZONE, KARACHI	SYED SHAFQAT ALI QADRI	42101-1942367-9	SYED HAFIZ HASHMAT ALI QADRI	472	41	-	513	41	-	513
45	ABDUL KHALIQ, R 500 SECTOR 8 NORTH KARACHI 34, KARACHI	ABDUL KHALIQ	42101-6839038-5	ABDUL WAHAB KHAN	472	70	-	542	70	-	542
46	CHAUDHRY ASIF NAWAZ, HOUSE 81/1 STREET 1 CHAMPIONS COLONY GULZARE-QUAID, RAWALPINDI	CHAUDHRY ASIF NAWAZ	37405-0369141-1	MUHAMMAD ASLAM	468	80	-	548	80	-	548
47	SYED TASNEM HUSSAIN ZAIDI, HOUSE NO. R 1096 BLOCK NO. 20 FEDERAL B AREA SUHRAB GOTH 34, KARACHI	SYED TASNEM HUSSAIN ZAIDI	42101-1855151-7	SYED MUJAZHIR HUSSAIN ZAIDI	468	80	-	548	80	-	548
48	ALI SHAYAN, FLAT NO. 4, 1ST FLOOR SOBRAL YELLOW HOUSE II, CHUNDRIGAR ROAD, KARACHI	ALI SHAYAN	42201-4397279-9	MOHAMMAD SARFARAZ	463	80	-	543	80	-	543
49	MUHAMMAD RIZWAN SARWAR, 99 BLOCK NO. C GULSHAN-E-RAVI, LAHORE	MUHAMMAD RIZWAN SARWAR	35202-8828868-7	MUHAMMAD SARWAR	440	66	-	506	66	-	506
50	MUHAMMAD YOUSAF BAIWA, SINDH CHOWK 3 KLOMETER CHUNGI STOP SINDHU CHOWK KAMAHAN DAKHANA LINK FERROZPUR ROAD LAHORE CANITT KHANS, LAHORE	MUHAMMAD YOUSAF BAIWA	35201-0148868-1	MUHAMMAD YASIN BAIWA	438	64	-	502	64	-	502
51	GHULAM NABI, HOUSE NO. P-974 CHAK NO. 203 RB MANA WALA, FAISALABAD	GHULAM NABI	33100-0661458-7	JAN MUHAMMAD	560	50	-	610	50	-	610
52	MUHAMMAD AMIR, HOUSE NO. 2 STREET NO. 8A, SHALIMAR LINK ROAD SOHUWARI MUGHAL PURA, LAHORE	MUHAMMAD AMIR	35201-2926934-7	MUHAMMAD ALTAF	468	39	-	507	39	-	507
53	MUHAMMAD ADREES, P-18 STREET NO. 1 BAZAR NO. 2 MUHAMMAD PURA, FAISALABAD	MUHAMMAD ADREES	33100-7528667-3	MUHAMMAD SHAREEF	651	54	-	705	54	-	705
54	MUHAMMAD SHAHID AKHTAR, ZUNAR APARTMENT GULZARE-HIPTI, KARACHI	MUHAMMAD SHAHID AKHTAR	42301-7858788-3	ABDUL KHALIQ	557	41	-	598	41	-	598
55	ARIF ISMAIL, HOUSE NO. 01 D II GULSHAN RAVI 5, LAHORE	ARIF ISMAIL	35202-2487168-7	SH MUHAMMAD ISMAIL	472	38	-	510	38	-	510
56	MUHAMMAD BASIT SALEEM, HOUSE NO. 46/5, STREET NO. 3 MUHALLA JINNAH PARK KOTI SHABDIN SHADRA, LAHORE	MUHAMMAD BASIT SALEEM	35202-1786054-7	MUHAMMAD ANAYAT ULLAH	642	48	-	690	48	-	690

Annexure - 1

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others						Total
							Others	Total					
57	HAFIZ MUHAMMAD AHSAN IQBAL, HOUSE NO. 316 GULSHAN RAVI, LAHORE	HAFIZ MUHAMMAD AHSAN IQBAL	35202-8817781-1	SHEIKH MUHAMMAD IQBAL	614	45	-	659	614	45	-	659	
58	IMRAN KHALIL, FLOOR NO. 2ND FLOOR, ARSHIA HEIGHTS, F.B. AREA, KARACHI	IMRAN KHALIL	42101-4639491-3	KHALIL AHMED	482	70	-	552	482	70	-	552	
59	SHEIKH SAJID HUSSAIN, HOUSE NO. NW-712 SAID PUR ROAD, RAWALPINDI	SHEIKH SAJID HUSSAIN	34104-2331782-3	SHEIKH ASSHAD HUSSAIN	508	62	-	570	508	62	-	570	
60	NAVEED AHMAD, HOUSE P-1029-C/1, A, MUHAMMAD JAH DOREE COLLEGE ASGHAR MALL ROAD, RAWALPINDI	NAVEED AHMAD	37405-1218023-7	ABDUL MAJEED	688	100	-	788	688	100	-	788	
61	TANZEEM AKHTER, R 57 SECTOR 14 A SHADMAN NORTH NAZIMABAD TOWN, KARACHI	TANZEEM AKHTER	42000-0146089-1	MUHAMMAD BASHIR	472	41	-	513	472	41	-	513	
62	JAVED IQBAL, HOUSE NO. 7343 SHARIF CHOWK D TYPE COLONY, FAISALABAD	JAVED IQBAL	33100-0120287-3	MIAN MANZOOR HUSSAIN	470	69	-	539	470	69	-	539	
63	MUHAMMAD RAMZAN, HOUSE 180 STREET 3 RABAN COLONY 2, FAISALABAD	MUHAMMAD RAMZAN	33100-2564082-5	MUHAMMAD ASHRAF	468	68	-	536	468	68	-	536	
64	REHAN AHMED KHAN, HOUSE A 730/12 F.B. AREA, KARACHI	REHAN AHMED KHAN	42301-9153803-9	EJAZ HUSSAIN	471	35	-	506	471	35	-	506	
65	AGHA ZUBAIR, E-6-1 COUNTRY CLUB APARTMENT, 33 STREET PHASE NO. V EXT DHA 34, KARACHI	AGHA ZUBAIR	42301-7669562-7	AGHA FACQIR MUHAMMAD	454	66	-	520	454	66	-	520	
66	RAMA SHAHID AMIN, HOUSE NO. 3 BLOCK-B, BAHRO WAL COLONY ABC ROAD, FAISALABAD	RAMA SHAHID AMIN	33100-1137499-1	RAMA MUHAMMAD AMIN	445	58	-	503	445	58	-	503	
67	SYED SHAH NAWAZ AHMED, HOUSE C-78/1 BLOCK J, NORTH NAZIMABAD, KARACHI	SYED SHAH NAWAZ AHMED	42101-9335201-5	SYED NASEER AHMED	596	87	-	683	596	87	-	683	
68	MUBASHIR JAWAD CHAUDHRY, HOUSE NO. 46/10 -A 2 STREET NO. 1, LANE 5 MOHALLA GULISTAN COLONY, RAWALPINDI	MUBASHIR JAWAD CHAUDHRY	61101-9486846-9	MUHAMMAD SADIQ ZIA	509	45	-	554	509	45	-	554	
69	MALIK MUHAMMAD SHAHBAZ, HOUSE W/2/UMER STREET, REHMAN PARK BHULLA CHOWK JOHAR TOWN, LAHORE	MALIK MUHAMMAD SHAHBAZ	35201-9251148-5	MALIK MUHAMMAD NAWAZ	487	63	-	550	487	63	-	550	
70	SAEED AHMED, HOUSE NO. A-257 PHASE I, GULSHAN-E-HADEED, KARACHI	SAEED AHMED	42501-9143732-5	GHULAM MUSTAFA	569	42	-	611	569	42	-	611	
71	MUHAMMAD TANVEER, HOUSE NO. E-18/25, QURESHI CHOWK, HASHIMANI MOHALLAH, 41, HYDERABAD	MUHAMMAD TANVEER	41303-8079330-5	ANWAR UL HAQ	520	45	-	565	520	45	-	565	
72	MUHAMMAD AMIN, HOUSE NO. P-3 ST. NO. 03 NAIMATABAD J-HANG ROAD, FAISALABAD	MUHAMMAD AMIN	33301-8963979-5	FAQEER MUHAMMAD	596	49	-	645	596	49	-	645	
73	NADEEM AHMED BUTT, HOUSE NO. 685 BLOCK NO. 02 SECTOR D II TONSHI 5, LAHORE	NADEEM AHMED BUTT	35202-3817231-9	REHMAT ALI	537	49	-	586	537	49	-	586	
74	MUHAMMAD JAMAL, HOUSE B-215 BLOCK 10 GULSHAN-E-IQBAL 34, KARACHI	MUHAMMAD JAMAL	42201-6545062-3	LATIF UR REHMAN	388	296	-	684	388	296	-	684	

(Rupees '000')

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S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others					Total
							Principal					Accrued Mark-up
75	ABDUL KARIM, HOUSE PLOT C 23, 1ST FLOOR, KARACHI ROAD, PAKISTAN COMMERCIAL STREET 30 LANE NO. 3 DHA 34, KARACHI	ABDUL KARIM	42301-1789483-5	GOHAR REHMAN	444	65	444	65	-	509		
76	MUHAMMAD OWAIS, HOUSE R 739 SECTOR 09 NORTH KARACHI, KARACHI	MUHAMMAD OWAIS	42101-7500560-9	MUHAMMAD ANWER KHAN	454	66	454	66	-	520		
77	SHAHID HABIB AHMED, HOUSE NO. 23691 HASSAN PUR, CHOWK SHAH ABBAS VEHARI ROAD, MULTAN	SHAHID HABIB AHMED	36302-0504749-7	MALIK HUSSAIN AHMED	454	66	454	66	-	520		
78	SYED SOHAIL ASGHER, HOUSE NO. 318 AI TOWN SHIP, LAHORE	SYED SOHAIL ASGHER	35202-8772369-9	HAJI ASGHER ALI SYED	477	59	477	59	-	536		
79	TANVEER NABI, HOUSE NO. 215 G BLOCK MODEL TOWN, LAHORE	TANVEER NABI	35202-2498762-5	GHULAM NABI	484	60	484	60	-	544		
80	RAJA HUMAYUN IQBAL, HOUSE 49 Z SA C B 100 AL SANOBER SHER ZAMAN COLONY LALAZAR, RAWALPINDI	RAJA HUMAYUN IQBAL	37405-2879855-5	AURANGZEB	463	68	463	68	-	531		
81	MUHAMMAD NASIR, HOUSE NO. 3 8 75 SHAH FAISAL COLONY, KARACHI	MUHAMMAD NASIR	42201-0369476-3	MUHAMMAD YOUSUF	454	56	454	56	-	510		
82	MAYHAR NAZAR AWAIS, HOUSE NO. 7, STREET NO. 1 SHAH TOWN RAINWIND ROAD THOKAR NIAZ BAIG, LAHORE	MAYHAR NAZAR AWAIS	34601-2212046-5	NAZAR MUHAMMAD GONDAL	495	37	495	37	-	532		
83	MUHAMMAD QASIM, HOUSE NO. 07 STREET NO. 02 MOHALLAH JANAZ CHAH MAIN BAZAR HARBANS PURA 5, LAHORE	MUHAMMAD QASIM	35201-5492340-3	ABDUL RAZZAQ	581	46	581	46	-	627		
84	MUHAMMAD JAVED, HOUSE NO. 139-A LIAQAT TOWN P.O AYUB RESEARCH, FAISALABAD	MUHAMMAD JAVED	33100-0964491-3	MUHAMMAD ASHRAF	626	51	626	51	-	677		
85	MUMTAZ AHMED, HOUSE NO. M I/E 137 SHAN AZARBAD HOUSE STREET NO. 39 MOHAMMADI ROAD SHERSHAH 34, KARACHI	MUMTAZ AHMED	35301-8071922-1	MANZOOR HUSSAIN	501	42	501	42	-	543		
86	HABIB QUPRESHI, HOUSE NO. D2-26 SAOODABAD MALIR, KARACHI	HABIB QUPRESHI	42501-9945379-7	MUHAMMAD AQIL QUPRESHI	545	40	545	40	-	585		
87	MUHAMMAD SHAHID, STREET NO. 2 MIO COLONY MASOOM SHAH ROAD, MULTAN	MUHAMMAD SHAHID	36302-6951108-7	MUHAMMAD RAMZAN	533	49	533	49	-	582		
88	ABDUL RAUF, HOUSE NO. 593 PIB COLONY, KARACHI	ABDUL RAUF	42201-3672290-9	ABDUL QAYUM	454	66	454	66	-	520		
89	MUHAMMAD ABDUL NASIR, T 3381 SHAD BAGH COLONY OUTSIDE YAKATOOT, PESHAWAR	MUHAMMAD ABDUL NASIR	17301-1641644-1	MUHAMMAD SHAFIQ	474	65	474	65	-	539		
90	CHODRY UMER RIASAT, 2A BLOCK NO. 2 GULSHAN-E-IOBAL 34, KARACHI	CHODRY UMER RIASAT	42201-0597206-1	CHUDARY RIYAST ALI	490	82	490	82	-	572		
91	MALIK TARIQ NADEEM, HOUSE NO. 27 STREET NO. 15 RASHIED STREET SAADI PARK MOZANG 5, LAHORE	MALIK TARIQ NADEEM	35202-9737183-7	MALIK SHAH DIN	695	116	695	116	-	811		
92	SALMAN, FLAT NO. 3 FIRST FLOOR HASSAN APARTMENT MISHALMALI ROAD, KARACHI	SALMAN	42301-3048805-9	AURANGZAB	474	74	474	74	-	548		

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009**

S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others	Total				
93	SHAH DIN BHATTI, HOUSE NO. 3 STREET 34, AKRAM PARK, DHOBI GHAT, BAGHBAN PURA, LAHORE	SHAH DIN BHATTI	35201-02483005-5	MERAJ DIN	740	124	-	864	740	124	-	864
94	RAJA ZAFFAR MEHMOOD, HOUSE NO. 62-E/1 STREET NO. 7-B GULISTAN COLONY, RAWALPINDI	RAJA ZAFFAR MEHMOOD	37405-5442968-3	RAJA ABDUL JABBAR	533	66	-	599	533	66	-	599
95	FAYYAZ AHMED ABBASI, HOUSE NO. 107, UPPER EXTENSION MAIN DOUBLE ROAD F 11/2, ISLAMABAD	FAYYAZ AHMED ABBASI	61101-8210927-3	HAJI MUHAMMAD RIAZ	531	66	-	597	531	66	-	597
96	MOHAMMAD RAFIQ, HOUSE NO. 159-V BLOCK 6 P.E.C.H.S., KARACHI	MOHAMMAD RAFIQ	42201-9133183-9	SHAIKH ALLAH DITA	449	65	-	514	449	65	-	514
97	NAUSHAD ALAM, PLOT NO. 14, ALFAZ SQUARE, BLOCK H NORTH NAZIMABAD 34, KARACHI	NAUSHAD ALAM	42101-8812966-5	ABDUL REHMAN	465	80	-	545	465	80	-	545
98	MIAN MUHAMMAD AKRAM, HOUSE NO. E 27/13 A STREET NO. 8 MOHALLA GHOSIA COLONY, WALTON ROAD CANTT 5, LAHORE	MIAN MUHAMMAD AKRAM	35201-7364779-3	AHMED ALI	591	46	-	637	591	46	-	637
99	IMRAN ALI, HOUSE NO. H-467, SADAAIT COLONY SHAH FAISAL COLONY, KARACHI	IMRAN ALI	42201-0456113-7	SYED NOOR MOHAMMAD	757	71	-	828	757	71	-	828
100	GUL ZAMAN KHAN, HOUSE NO. 33 STREET NO 6 BLOCK Y NEW MULTAN COLONY, MULTAN	GUL ZAMAN KHAN	36302-9820738-7	MUHAMMAD NIAZ KHAN	519	48	-	567	519	48	-	567
101	MUHAMMAD TAYYAB, RANA STREET CHUNGI NO. 6 BOSAN ROAD GULGUSHI COLONY, MULTAN	MUHAMMAD TAYYAB	36302-8590570-7	MUHAMMAD ASHIRAF	641	53	-	694	641	53	-	694
102	ZEEHAN AKRAM, HOUSE NO. R-544 SECTOR 14-A SHADMAN TOWN NORTH KARACHI, KARACHI	ZEEHAN AKRAM	42101-2554607-1	MOHAMMAD AKRAM	747	63	-	810	747	63	-	810
103	SHAAFI MEHMOOD, 155 B FAISAL TOWN, LAHORE	SHAAFI MEHMOOD	35202-9426847-1	ABDUL RUB SAJID	688	60	-	748	688	60	-	748
104	TANVEER ALI, HOUSE E-256 STREET 3-G PIR COLONY WALTON ROAD CANTT, LAHORE	TANVEER ALI	35201-1597465-7	ANAYAT ALI	697	64	-	761	697	64	-	761
105	MUHAMMAD KHALID, HOUSE NO. 44-A STREET 8 SHAHDAB COLONY SURAJ MIANI ROAD, MULTAN	MUHAMMAD KHALID	36603-6285593-5	HAKIM ALI	550	51	-	601	550	51	-	601
106	MUHAMMAD IQBAL, FLAT 5 PLOT 9/9 STREET 3 DEHLI COLONY 3, KARACHI	MUHAMMAD IQBAL	42301-9722274-3	MUHAMMAD MUSTAQEEM	500	62	-	562	500	62	-	562
107	MUHAMMAD UMER FAROOQ, HOUSE NO. 12, MILL ROAD 36, MOHALLA ISLAM GUNJ TEZAB MILL ROAD 36, FAISALABAD	MUHAMMAD UMER FAROOQ	33100-5060935-3	CHUHDARY MUHAMMAD IBRAHIM	454	66	-	520	454	66	-	520
108	AHSAN UL HAQ, HOUSE NO. 411 STREET NO. 11 TARIQBAD, FAISALABAD	AHSAN UL HAQ	33100-1553552-3	BASHIR AHMAD	577	71	-	648	577	71	-	648
109	USMAN MAHMOOD, HOUSE NO. 73 1/2 BLOCK MODEL TOWN, LAHORE	USMAN MAHMOOD	35202-2337773-9	MAHMOOD AHMED	497	83	-	580	497	83	-	580

(Rupees '000')

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S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total		
		Name	NIC No.		Principal	Accrued Mark-up	Others				Total	
110	ASGHAR BAIG, HOUSE NO. 2911 STREET NO. 6 NIZAM ABAD KOT KHAWAJA SAEED 5, LAHORE	ASGHAR BAIG	35202-5324352-3	AKRAM BAIG	715	116	-	831	715	116	-	831
111	BILAL AHMAD KHOKHAR, PESHAWAR KIN STREET, HOUSE NO. 912-D MOHALLAH SUTTER MANDI ANDROON LOHARI GATE, LAHORE	BILAL AHMAD KHOKHAR	35202-1065191-1	ZAMEER AHMAD	832	407	-	1,239	832	407	-	1,239
112	DAVID WILLIAM MOURE, HOUSE E - 26, 20 GHOUSSIA COLONY WALTON ROAD, LAHORE	DAVID WILLIAM MOURE	35202-2429078-3	TOMS WILLIAM	460	49	-	509	460	49	-	509
113	MUHAMMAD NADEEM SABIR, 1405 WAGS CHEMIE, DUKOT ROAD SIR SYED TOWN, FAISALABAD	MUHAMMAD NADEEM SABIR	33100-2533425-1	SABIR ALI	742	68	-	810	742	68	-	810
114	ZAFAR SHAH, FLAT NO. 1 4TH FLOOR THE MALL PLAZA SADDAR NEAR GPO, ISLAMABAD	ZAFAR SHAH	11101-8863970-3	GULLI WALI SHAH	554	49	-	603	554	49	-	603
115	MALIK ABDUL GAFAR, HOUSE NO. 14, SADOE, MALIK PARK 5, LAHORE	MALIK ABDUL GAFAR	35202-6965761-5	MALIK MUHAMMAD ALI	545	40	-	585	545	40	-	585
116	ABDUL GHAFFAR, FLAT NO. 201 FANCY HEIGHTS BLOCK B, SCHEME 33 GULZARE-HIURI 34, KARACHI	ABDUL GHAFFAR	42501-7833716-3	NOOR MUHAMMAD SHEIKH	660	61	-	721	660	61	-	721
117	KHURRAM BHATTI, 82 2ND FLOOR OPPOSITE GENERAL STORE WALLI GALI MEHMOODABAD NO. 2, KARACHI	KHURRAM BHATTI	42301-8849740-3	YAQOOB BHATTI	526	49	-	575	526	49	-	575
118	TAHA BIN ABU TALHA, M-C 1441 AZEEM PORA GREENTOWN, KARACHI	TAHA BIN ABU TALHA	42201-0795202-9	ABU TALHA	607	49	-	656	607	49	-	656
119	WASEEM AHMED, HOUSE 7 STREET 8 GURESHI MUHALLAH MUZANG, LAHORE	WASEEM AHMED	35202-8395421-9	MUSHTAQ AHMED	552	48	-	600	552	48	-	600
120	REHMAN WAHEED, HOUSE NO. 2 STREET 1 ALI ST. CHA JAMUN WALA NEW SAMAN ABAD, LAHORE	REHMAN WAHEED	35202-2767399-5	MUHAMMAD WAHEED	509	37	-	546	509	37	-	546
121	KHALID MEHMOOD YAZDANI, HOUSE 410W/7-H GULLI BUNJARAN WALI IS PAK GATE, MULTAN	KHALID MEHMOOD YAZDANI	36302-0703135-5	ZAFAR ALI ASIM	454	66	-	520	454	66	-	520
122	MUHAMMAD SAEED, P 738 STREET 2 MUGHAL PURA 1 CHOWK JAMILABAD SHEIKHUPRA ROAD, FAISALABAD	MUHAMMAD SAEED	33100-2925945-7	ABDUL RAUF	449	65	-	514	449	65	-	514
123	SYED MURTAZA ABBAS, FLAT NO. J-28 BHAYANI HEIGHTS BLOCK 4-A GULSHANE-HQBAL, KARACHI	SYED MURTAZA ABBAS	45203-3879063-1	SYED NAYAAB HUSSAIN	454	66	-	520	454	66	-	520
124	TARIQ ASHFAQ RAO, HOUSE 17 E/2 OFFICERS COLONY, MULTAN	TARIQ ASHFAQ RAO	36302-3330524-3	RAO ASHFAQ ALI KHAN	673	98	-	771	673	98	-	771
125	MOHAMMAD SABIR, 1/40 VILAYAT/ABAD MANGOPUR ROAD, KARACHI	MOHAMMAD SABIR	42401-4649747-1	EIDOO MASTER	1,291	216	-	1,507	1,291	216	-	1,507
126	MUHAMMAD ARIF, HOUSE NO. 255 STREET NO. 2 MAIN BAZAR SADDIQUE COLONY RAVI ROAD TIMBER MARKET, LAHORE	MUHAMMAD ARIF	35202-2585511-9	CHUDHARY AHMAD DIN	676	113	-	789	676	113	-	789



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		Name	NIC No.		Principal	Accrued Mark-up	Others	Total			
127	AZHAR FAREED MUGHAL, HOUSE 8 STREET 9, ABDUL ELLAHI ST. HABIB GUNJ, LAHORE	AZHAR FAREED MUGHAL	35202-7327444-3	NOOR MUHAMMAD MUGHAL	984	160	-	1,144	160	-	1,144
128	SHARIQ PASHA SHAMSI, HOUSE NO. A-23 SHEET NO. 27 MODEL COLONY MALIR, KARACHI	SHARIQ PASHA SHAMSI	42101-1179594-3	MOHAMMAD ATIQ SHAMSI	980	163	-	1,143	163	-	1,143
129	ADMAN KHAN, HOUSE NO. 161/C COMMERCIAL AREA P.E.C.H.S. 34, KARACHI	ADMAN KHAN	41304-3544777-9	MUHAMMAD BASHEER	700	117	-	817	700	-	817
130	MUHAMMAD SHAKEEL, FLAT 67-1-67/2/3 2ND FLOOR HUSSAINABAD F.B. AREA ARCADE MADINA BUILDING, KARACHI	MUHAMMAD SHAKEEL	42101-0481083-7	MUHAMMAD SIDDIQUE	490	82	-	572	490	-	572
131	IMRAN WAHEED UDDIN SIDDIQUI, SS-28 MAIN SUNSET BOULEVARD PHASE 2 DHA, KARACHI	IMRAN WAHEED UDDIN SIDDIQUI	42301-8890584-9	WAHEED UDDIN SIDDIQUI	444	61	-	505	444	-	505
132	AURANG ZAIB, HOUSE NO. 1, STREET NO. 1 TAAL WALI GALI NEAR DOBI GHAT DAPS BAREY MAIN LINK ROAD MUGHAL PURA, LAHORE	AURANG ZAIB	35201-7373115-1	MALIK MUHAMMAD YASEEN	557	56	-	613	557	-	613
133	SYED MUDASIR ALI GOHAR, HOUSE 746 L BLOCK JOHAR TOWN, LAHORE	SYED MUDASIR ALI GOHAR	35202-9105898-7	SYED SIBTUL HASSAN	596	46	-	642	596	-	642
134	NASEEM SHAH, I/1219 KOOCHA CHABAK SAWARAN RANG MAHAL, LAHORE	NASEEM SHAH	17301-9804214-9	HASHIM KHAN	1,048	97	-	1,145	1,048	-	1,145
135	RAJA KHALID ZAMEER, 529 RAJA PURA SCHEME LDA, LAHORE	RAJA KHALID ZAMEER	35200-1409576-5	RAJA MUHAMMAD ZAMEER KHAN	468	43	-	511	468	-	511
136	FOZIA KAUSAR, HOUSE NO. 883/F.2 JOHAR TOWN, LAHORE	FOZIA KAUSAR	35202-7406585-0	QASIM MIRAZ DIN	599	49	-	648	599	-	648
137	ABID HUSSAIN, HOUSE NO. E-590, STREET NO. 2 NADRAABAD BAIDYAN ROAD CANTT., LAHORE	ABID HUSSAIN	35202-6427114-9	ABDUL HAMEED	587	48	-	635	587	-	635
138	MUHAMMAD WAHEED CHAUDHRY, 945-E SIDDIQUI STREET STREET 2 NADRA ABAD COLONY BEDIAN ROAD CANTT., LAHORE	MUHAMMAD WAHEED CHAUDHRY	37405-0657463-9	MUHAMMAD IBRAHIM CHAUDHRY	790	66	-	856	790	-	856
139	HASEEB UR REHMAN, 18-C, ST. NO. 1 C BILAL COLONY SABZAZAR B BLOCK, SHAH FAREED CHOWK, MULTAN ROAD, LAHORE	HASEEB UR REHMAN	35202-7393764-9	ATTA UR REHMAN	498	40	-	538	498	-	538
140	MUHAMMAD FURQAN, HOUSE NO. 968/9 STREET NO. 3 QADIR ABAD TAREEN ROAD, MULTAN	MUHAMMAD FURQAN	36302-9330946-3	ABDUL GABAR	726	61	-	787	726	-	787
141	AMIR WASEEM, HOUSE NO. 8 STREET NO. 2 D BLOCK U NEW MULTAN 13, MULTAN	AMIR WASEEM	36302-8031454-5	GHULAM MURSAALEEN	1,006	84	-	1,090	1,006	-	1,090
142	RANA MUHAMMAD FAHEEM, HOUSE NO. 36 STREET / MOHALLAH NO. 7 BLOCK U NEW MULTAN P, MULTAN	RANA MUHAMMAD FAHEEM	36302-0358071-1	RANA MUHAMMAD SALEEM	479	40	-	519	479	-	519
143	TONY ALBERT CHAPPELL, B-29 REHMAN HEIGHTS RANDLE ROAD, KARACHI	TONY ALBERT CHAPPELL	42301-7798203-3	HENRY JAMES CHAPPELL	460	59	-	519	460	-	519
144	MUHAMMAD ZAFAR ULLAH, P 140 STREET 10 4 AHMED ABAD HASHMAT CHOWK, FASALABAD	MUHAMMAD ZAFAR ULLAH	33100-7318037-7	SHER MUHAMMAD	936	137	-	1,073	936	-	1,073
145	MUHAMMAD LAIQUE, HOUSE NO. K 283 K AREA KORANGI NO. 5 NEAR IQBAL RESTURANT, KARACHI	MUHAMMAD LAIQUE	42201-5195322-7	MUHAMMAD AHMED	645	108	-	753	645	-	753

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others					Total
146	MUHAMMAD FAROOQ, FLAT 606 BLOCK B 6TH FLOOR PLOT 77-78-GH SHAHNAWAZ GARDEN QASIM ROAD, GARDEN WEST, KARACHI	MUHAMMAD FAROOQ	42201-7061810-3	ABDUL JABBAR	1,448	241	-	1,689	1,448	241	-	1,689
147	BINYAMEEN, HOUSE NO. 18 ST. NO. 12 ALMAS COLONY SIDDIQUIA COLONY NOOR ROAD BADAMI BAGH, LAHORE	BINYAMEEN	35202-0674578-5	MUHAMMAD SULEMAN	1,161	157	-	1,318	1,161	157	-	1,318
148	SHAHZAD KHOKHER, HOUSE NO. L-1950 INDUS ROAD NO. 3 LALKURTI, RAWALPINDI	SHAHZAD KHOKHER	37405-4162937-7	JAMES KHOKHER	464	78	-	542	464	78	-	542
149	NADEEM ABBAS, HOUSE NO. 48 STREET 1, LAZAR COLONY BAGHI PURA SHAD BAGH, LAHORE	NADEEM ABBAS	35202-9730087-1	SHAIKH NIAZ ALI	578	96	-	674	578	96	-	674
150	MUHAMMAD SALEEM JIWANI, AREBA APARTMENT FLAT NO. 101 FIRST FLOOR BLOCK 3-E NAZIMABAD NO. 3, KARACHI	MUHAMMAD SALEEM JIWANI	42101-6294028-5	MUHAMMAD HAROON JIWANI	635	106	-	741	635	106	-	741
151	EJAZ AHMED, HOUSE R17, P.E.C.H.S., KARACHI	EJAZ AHMED	42201-0489303-1	MUHAMMAD AZAD	692	94	-	786	692	94	-	786
152	SYED TAHA HUSSAIN JAFFERY, FLAT NO. P-001 IGRA COMPLEX GULISTANE-JOHAR BLOCK NO. 17 34, KARACHI	SYED TAHA HUSSAIN JAFFERY	42101-1372978-5	ALI ATHAR HUSSAIN JAFFERY	561	-	-	561	561	-	-	561
153	MEHR DASTGIR SPINNING MILLS LIMITED, SHAHED YOUNAS DASTGIR ROAD, MULTAN CANTT., MULTAN	KHAWAJA MUHAMMAD YOUSAF KHAWAJA MUHAMMAD ABDULLAH KHAWAJA GHULAM DASTGIR ABDUL REHMAN JAMI KHAWAJA MUHAMMAD HUSSAIN KHAWAJA MUHAMMAD ALI	36302-0488868-3 36302-3798933-7 36302-9279957-9 36302-7537877-7 36302-3953552-9	KHAWAJA GHULAM DASTGIR KHAWAJA GHULAM DASTGIR KHAWAJA GHULAM DASTGIR KHAWAJA MUHAMMAD ABDULLAH KHAWAJA MUHAMMAD YOUSAF	146,960	46,014	-	192,974	26,960	46,014	-	72,974
154	ART VISION, 6/D, NASEERUDIN ROAD, LAHORE	MIR. MABOOD QURESHI	35202-2600141-9	MIRAJ DIN QURESHI	4	-	754	758	4	-	754	758
155	BALAJ TEXTILE MILLS (PRIVATE) LIMITED ROOM NO. 3, 3RD FLOOR, SHAHEN ARCADE, NEW GARDEN TOWN, LAHORE	MIAN MUHAMMAD AKRAM MIAN IKRAM MAHMOOD MIAN JAWAD AKRAM	35202-2875590-9 35201-1406276-5 35202-8920585-5	MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD AKRAM	52,761	2,867	2,531	58,159	6,927	2,236	2,531	11,694
156	MINTHAR MOTORS, MINTHAR METRO, PRTC DEPOT, GHULAM MUHAMMAD ABAD, FAISALABAD & 4-T GENERAL BUS STAND, FAISALABAD	MUHAMMAD YASIN NAZIR	33100-0638312-5	CHALDIHARY MUHAMMAD NAZIR AHMED	9,366	601	2,276	12,243	16	601	2,276	2,893
157	RECTO INDUSTRIES (PRIVATE) LTD., DASKA ROAD, SIALKOT	SHAHZAD KOUSER CHEEMA DANISH IMTIAZ CHEEMA HASSAN IFTIKHAR CHEEMA	34603-4526639-7 34603-2458612-5 35201-5950489-5	CH. M.K CHEEMA CH. IMTIAZ AHMED CHEEMA CH. IFTIKHAR CHEEMA	71,312	10,492	-	81,804	11,311	10,492	-	21,803
158	SYED BHAYS LIGHTING LIMITED 200, FEROPZPUR ROAD, LAHORE	MIR. ZAHEER AHMED KHAN MR. MANSOOR AHMED KHAN MR. MASROOR AHMED KHAN	35201-1390560-3 35201-1355003-5 35201-1355027-9	KHANI BHADUPUR BASHIR AHMED KHAN ZAHEER AHMED KHAN ZAHEER AHMED KHAN	69,771	6,947	58,656	135,374	34,886	6,947	58,656	100,489
159	MEKRAN FISHERIES (PRIVATE) LTD. B-2B-4, FISH HARBOUR, P.O. BOX NO. 6272, KARACHI 74000	AZHARUL HAQ BUTT TASAWARUL HAQ BUTT TANVEER UL HAQ BUTT	42201-9205530-1 42301-7788543-5 42301-1608217-7	MUZAFAR DIN BUTT MUZAFAR DIN BUTT MUZAFAR DIN BUTT	21,454	5,241	32,797	59,492	8,963	5,241	32,797	47,001
160	IHSAN YOUSUF TEXTILE MILLS ROOM NO. 3, 3RD FLOOR, SHAHEEN ARCADE, NEW GARDEN TOWN, LAHORE	MIAN MUHAMMAD AKRAM MIAN IKRAM MAHMOOD MIAN JAWAD AKRAM	35202-2875590-9 35201-1406276-5 35202-8920585-5	MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD ISMAIL MIAN MUHAMMAD AKRAM	154,000	9,172	-	163,172	29,000	9,172	-	38,172

# Annexure - 1

## Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2009

(Rupees '000')

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others					Total
161	M.M. MALIK CO. OFFICE: MARINE CENTER, BLK 2 CLIFTON, KHI	MALIK IMTAIZ AHMED	42301-3653584-5	MALIK MIAN MUHAMMAD	14,079	719	-	14,798	2,579	719	-	3,298
162	N S TRADERS, 101, BARKAT PLAZA, SADDAR, RAWALPINDI	ABDUL NAJEEB	37405-2356179-7	ABDUL NAQEEB	14,999	1,964	-	16,963	-	1,562	-	1,562
					642,636	94,574	97,014	834,224	208,576	93,541	97,014	399,131

## Pattern of Shareholding as at December 31, 2009

Number of Shareholders	Shareholdings		Shares held	Percentage
	From	To		
1,613	1	100	66,918	0.00
4,120	101	500	1,491,121	0.04
4,576	501	1,000	4,073,409	0.10
11,562	1,001	5,000	33,344,342	0.82
3,112	5,001	10,000	24,121,323	0.60
3,616	10,001	50,000	84,364,763	2.09
631	50,001	100,000	47,556,363	1.18
338	100,001	200,000	47,786,555	1.18
122	200,001	300,000	30,467,212	0.75
72	300,001	400,000	25,340,913	0.63
30	400,001	500,000	13,743,561	0.34
15	500,001	600,000	8,178,380	0.20
17	600,001	700,000	11,079,876	0.27
22	700,001	800,000	16,462,623	0.41
11	800,001	900,000	9,142,392	0.23
7	900,001	1,000,000	6,717,837	0.17
66	1,000,001	5,000,000	129,534,034	3.20
9	5,000,001	10,000,000	62,469,788	1.55
4	10,000,001	15,000,000	50,874,175	1.26
5	15,000,001	20,000,000	82,427,736	2.04
1	20,000,001	25,000,000	24,578,800	0.61
3	25,000,001	30,000,000	84,300,082	2.08
1	30,000,001	50,000,000	35,921,000	0.89
1	50,000,001	250,000,000	213,939,448	5.29
1	250,000,001	3,000,000,000	2,995,744,425	74.08
<b>29,955</b>			<b>4,043,727,076</b>	<b>100.00</b>

## Categories of Shareholders as at December 31, 2009

Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1	16,083,935	0.40
Associated Companies, undertakings and related parties	2	3,020,323,225	74.69
NIT, ICP & IDBP/ICP	7	41,468,083	1.03
Banks, Development Financial Institutions, Non Banking Financial Institutions	36	112,105,905	2.77
Insurance Companies	18	7,451,548	0.18
Modarabas and Mutual Funds	25	1,992,607	0.05
Public Sector Companies & Corporations	8	242,508,278	6.00
Executives	26	826,136	0.02
Foreign Companies	70	14,169,974	0.35
Shareholders holding 10% or more {excluding Bugis Investments (Mauritius) Pte Limited}	–	–	–
General Public (including local & foreign individual)	29,461	449,643,084	11.12
Others	301	137,154,301	3.39
<b>TOTAL</b>	<b>29,955</b>	<b>4,043,727,076</b>	<b>100.00</b>

## Details of Pattern of Shareholding as at December 31, 2009

Category	Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
1	<b>Associated Companies, Undertakings and related parties</b>	<b>2</b>	<b>3,020,323,225</b>	<b>74.69</b>
	Bugis Investments (Mauritius) Pte Ltd.	1	2,995,744,425	
	M/s. IFIC Bank Limited	1	24,578,800	
2	<b>NIT &amp; ICP</b>	<b>7</b>	<b>41,468,083</b>	<b>1.03</b>
	National Investment Trust Limited	2	2,312,472	
	National Bank of Pakistan, Trustee Deptt.	2	39,041,193	
	Investment Corporation of Pakistan	2	13,516	
	IDBP/ICP	1	100,902	
3	<b>Directors, CEO and their spouses and minor children</b>	<b>1</b>	<b>16,083,935</b>	<b>0.40</b>
	Mr. Francis Andrew Rozario			
	Syed Aamir Zahidi			
	Mr. Tejpal Singh Hora			
	Mr. Chia Yew Hock Wilson			
	Mr. Sng Seow Wah			
	Mr. Mahmudul Huq Bhuiyan			
	Mr. Asif Jooma			
	Khawaja Iqbal Hassan	1	16,083,935	
4	<b>Executives</b>	<b>26</b>	<b>826,136</b>	<b>0.02</b>
5	<b>Public Sector Companies and Corporations</b>	<b>8</b>	<b>242,508,278</b>	<b>6.00</b>
6	<b>Foreign Companies</b>	<b>70</b>	<b>14,169,974</b>	<b>0.35</b>
7	<b>Banks, Development Financial Institutions, Non-banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds</b>	<b>79</b>	<b>121,550,060</b>	<b>3.00</b>
8	<b>General Public (including local &amp; foreign individual)</b>	<b>29,461</b>	<b>449,643,084</b>	<b>11.12</b>
9	<b>Others</b>	<b>301</b>	<b>137,154,301</b>	<b>3.39</b>
	<b>Total</b>	<b>29,955</b>	<b>4,043,727,076</b>	<b>100.00</b>

# NIB Bank Limited

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## Proxy Form

I/We \_\_\_\_\_ S/o,D/o,W/o \_\_\_\_\_  
of \_\_\_\_\_  
(full address) being a member of NIB Bank Limited and holder of shares as per Registered Folio No. \_\_\_\_\_ and / or CDC Participant I.D. No. \_\_\_\_\_ and Account No. \_\_\_\_\_ do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ (full address) or failing him/her \_\_\_\_\_ of \_\_\_\_\_ (full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of NIB Bank Limited scheduled to be held on Tuesday, the 30th March, 2010 at 09:30 a.m. at Jinnah Auditorium, Institute of Bankers Pakistan, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Witnesses :

1. \_\_\_\_\_  
Name :  
CNIC No. :  
Address :

Signature of Member(s)  
on Rs. 5/- Revenue Stamp

2. \_\_\_\_\_  
Name:  
CNIC No. :  
Address :

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

Proxies, in order to be valid, must be complete in all respect and be received at the Registered Office of the Bank not later than 48 hours before the meeting.

NIB Bank Limited  
Muhammadi House, I.I Chundrigar Road, Karachi  
UAN: 111-333-111 [www.nibpk.com](http://www.nibpk.com)